NCVER

HOW SUPPLY AND DEMAND FORCES SHAPE VET MARKETS

BRETT FREELAND

ISBN 0 87397 568 5
TD/TNC 60.01

Published by NCVER
ACN 007 967 311

252 Kensington Road, Leabrook, SA 5068
PO Box 115, Kensington Park, SA 5068, Australia
www.ncver.edu.au

Contents

Acknowledgements

In producing this document the author would like to acknowledge the assistance of those people who conducted the interviews throughout the States and those who worked on early drafts of the report. Thanks go to John Foyster, Prof. Mark Wooden, Dr Meredith Baker, and Dr Mark Werner. The assistance of those who helped with editing drafts and the collection of the references cited throughout the report is also greatly appreciated.

In thanking these people, it should be noted that the views expressed in the report are those of the author and any errors or omissions are the responsibility of the author alone.

Executive summary

Markets are influenced by two major factors. These are supply of goods and services, and demand for these same goods and services. In the case of the vocational education and training (VET) market, demand derives from the clients who receive the training, and the supply relates to the institutions that are able to provide the training. VET is considered by governments to be important for both economic and social development. The Australian government has in the past acted to influence the VET market through supply-side intervention. There have been significant funds provided for the establishment of infrastructure and subsidisation of courses deemed to be beneficial for Australia's social and economic development. Unfortunately the supply-side intervention has been fraught with significant misjudgements. Many students having completed courses and gained qualifications remained unemployed, or employed in jobs where the skills they developed were not considered to be useful.

In the early 1990's the Australian government, on the recommendation of the Employment and Skills Formation Council (ESFC), adopted a policy for VET which emphasised the influence of demand factors rather than those of supply. A demand-driven market was thought to produce better social and economic outcomes from VET.

This report considers the effect that this shift in government thinking has had on industry training advisory bodies (ITABs), training providers (both public and private), and the employers of people with qualifications and skills. It considers the successes and failures produced by the changes in government intervention in the training market.

This report examines four major issues in relation to the effects of these changes on stakeholders. These include: to what extent are understandings about supply and demand within the training market held in common among the key stakeholders in particular industries? What can be documented regarding the ways in which stakeholders utilise their understanding of the training market and how it operates? How do the factors influencing supply and demand interact to shape the nature and operation of the VET market? And what impact is there on the training market from 'non-market factors' such as government planning, equity and access considerations etc.?

A questionnaire survey of more than 50 representatives from four major industries was conducted. The findings provided qualitative evidence of how changes in the training and education sector are perceived by stakeholders. Industries included in the analysis are tourism and hospitality, electronics and electrical engineering, secretarial and administrative services and hairdressing.

Variation of perception among the industries included in the survey was common. In addition to the variation among industries, difference of opinion among stakeholders within industries is also evident from the survey.

Evidence suggests that the efforts to increase the role of demand in determining training efforts are influenced by a number of factors. These include the history or tradition of training in the industry, and the size of the enterprises in the industry and their ability to negotiate with training providers. The composition of industries' workforces and their employment patterns, and the level of technological innovation within an industry also affect changes. Other less significant factors include regulations relating to occupational health and safety and licensing requirements for workers in an industry.

Conflicts among employers and training providers within industries are emphasised by the study. Employers want increased output of students with skills or qualifications to reduce the cost of labour. Training providers want to limit the numbers of students enrolled in courses to increase the demand for the course and maintain or increase the price of provision. The study provides evidence that ITABs play a pivotal role in mediating this conflict between training providers and employers.

The report finds no single method or strategy that guarantees best results for stakeholders from the training market. The characteristics of the individual enterprise and its workforce will determine the most suitable training methods and techniques. The introduction of demand-side policies aimed at increasing the role of employers in the training market has been influential in developing new training methods and techniques and increasing the choices available to stakeholders. What will remain at the base of the training market structure is a mixture of supply and demand influences. These interacting influences will be continually shaped through negotiations between employers and providers.

The report concludes that both supply and demand components are required to produce successful outcomes from VET: a marriage of supply and demand, replicating each other, rather than a one-sided market—either supply or demand. The shift towards a demand-driven market emphasised by the policy shift in the early 1990's has recognised this and has allowed the VET market to play a role as a social and economic development instrument.

Background and context

Introduction

The principal aim of this report is to describe how supply and demand forces shape vocational education and training (VET) markets. A secondary aim is to raise the level of debate concerning the nature of training markets in Australia as the markets relate to industries and stakeholders.

Background to the project

The training market, more broadly referred to as the VET market, is that part of the education and training system that provides individuals with the skills and learning expressly required by enterprises and industry. Market forces (demand and supply) have become the principal determinant of production and consumption of VET.

In Australia the Carmichael Report (1992), highlighted the need for training to be responsive to industry and enterprise needs. A major criticism of training in the past is that it has been predominantly supply driven. The report argued that to be successful, the national system was required to be driven by industry demand and have the support of government departments and training providers. There are two main reasons for demand 'driven' concepts being accepted by VET stakeholders. Firstly, the public has high and rising expectations of publicly subsidised services—increasingly, clients demand customised service. Secondly, governments are concerned about budgets, there is pressure to gain value for money.

While policy developments like 'user choice' arrangements reflect an acceptance of the importance of demand in influencing training arrangements, policy stands to benefit greatly from an increased understanding of the nature of demand for training, and how demand and supply interact to affect training outcomes (Curtain 1995). Expected benefits from such understanding include enhanced employability of those trained, incentives for employees to acquire further skills, facilitation of recruitment, continuing training by employers, more responsive training providers, more effective training for the unemployed and better school-to-work transitions.

The nationally oriented strategy for training has recognised that it is not just the quantity of training services available that will increase as a result of competition. The quality of training services is also expected to increase. Shreeve (1995) noted that although competition is seen to be a vehicle by which cost-effective improvements in service quality can be achieved, not everyone has faith in the market's ability to deliver promised outcomes. An expansion in the quantity of training (one of the objectives of a demand-driven market) will not necessarily lead to a commensurate increase in jobs and employment opportunities.

Training market reform attempts have tended to ignore important demand-side factors. The National Training Reform Agenda (NTRA) seeks a shift in emphasis towards demand, by increasing industry involvement in the training reform process. However, there is, as yet, no evidence to support the assumption that such involvement will result in any shift in emphasis (Hall 1995).

> *Ultimately, it is the individuals and employers who are in the best position to determine how much training is needed. To ignore their preferences is to risk producing an over-supply of highly skilled workers who are consigned either to jobs which offer little satisfaction or who will spend increasingly longer periods out of work* (Sloan & Wooden 1994, p.187).

Work by Allen Consulting Group (1994a) has investigated the broad nature of training markets, emphasising the extent to which they are or are not competitive. However, this work was undertaken at a too highly aggregated level to provide any understanding of why some markets embrace competition and others do not. Evidence shows a 'free-market' for VET in

Australia does not exist. Robinson (1998, p.121) contests that the VET market does not operate efficiently on the basis of three theoretical conditions:

- there is not a single market for VET with a homogenous product
- there are large numbers of buyers and sellers in training markets, although there are barriers to entry and exit of training suppliers to VET markets
- there are problems with the availability of adequate information about VET products and services

In considering the market for VET, it is essential that the products delivered by the sector be clearly defined. VET delivery has traditionally been measured in terms of qualifications attained per year or hours of training provided in modules of learning. Robinson (1998, p.106) has defined three core products of VET:

- qualifications attained by people successfully completing courses and modules
- skills and competencies gained by individuals making them more competitive in the labour market and more efficient producers in their current jobs
- skills and competencies required by business to improve the bottom line of the businesses

The product definition provides consideration for all efforts made by stakeholders regarding training whether they are formal or informal, documented or otherwise.

Aims of the project

The principal aim of this project is to describe how supply and demand forces shape VET markets. A secondary aim is to raise the level of debate concerning the nature of training markets in Australia as they relate to both industries and stakeholders.

In achieving these aims, the project centres on the following four research questions:

- To what extent are understandings about supply and demand within the training market held in common among the key stakeholders in particular industries?
- What can be documented regarding the ways in which these stakeholders utilise their understandings of the training market and how it operates?
- How do the factors influencing supply and demand interact to shape the nature and operation of VET markets?
- What impact is there on the training market from 'non-market' factors such as government planning, equity and access considerations etc.?

In addition, preliminary investigations of the literature revealed a number of specific issues that were subsequently addressed. These include:

- the competing conceptions of a training market
- the boundaries of the VET market and the segmentation within the training market
- inherent characteristics of a training market (e.g. elasticity)
- the extent to which the market is dependent upon industry and government agencies
- the extent to which interest in the training market concept is based upon perceived needs for growth and/or efficiency
- alternative funding methods for stimulating the training market
- links between the training market and non-market forces such as social policy (i.e. access and equity issues, national curriculum)
- quality assurance in a training market
- cost-benefit analysis—cost-shifting, identifying the payer/user, non-cash costs

Methodology

Research design

The research method upon which this study is based is principally qualitative. It centres on a series of case study interviews conducted in four main industry areas. These are:

- tourism and hospitality
- hairdressing
- electrical and electronics
- secretarial and administrative services

These industries were selected because they provided an opportunity to explore contrasting practices. They are representative of Australia's industrial composition. The industries represent a range of service and production functions, training traditions and capital costs related to training.

Within each of the four industry areas semi-structured interviews were conducted with:

- industry training advisory bodies (ITABs)
- public and private training providers
- employers

Three 'stakeholder' groups were identified for inclusion in the case studies. These were ITABs, training providers and employers. Employees were not included in the case studies because policy objectives of the NTRA relate primarily to industry demands. With the acceptance of the NTRA, there has been a shift in VET policy objectives to reorient provision towards meeting the needs of industry. It has been suggested (Anderson 1996a; Finn 1991; Carmichael 1992; Allen Consulting Group 1994a) that the needs of industry and individuals are converging. From this conclusion it appears reasonable to study only one half of the client group—employers. Both public and private providers were included in the case studies. No discrimination was made regarding their perceptions in the analysis of results. Employers surveyed included a sample of medium and large enterprises.

A total of 55 interviews were conducted across three Australian States—Queensland, South Australia and Victoria. Levels of training discussed included:

- entry-level training
- further VET for existing workforce members, including employer-sponsored and individually sponsored VET
- VET provided for the unemployed and other disadvantaged groups

Although there was some variation in the interview structure, each interview was conducted around the following core structure:

- identification of the sources of planning (for training) information and their evaluation of the quality of this information
- purposes and priorities with respect to training
- strategies and procedures with respect to training
- perceptions of the determinants of supply and demand
- perceptions of barriers or impediments to training
- perception of the training market

The core structure of the interview has been the basis for the case studies written up in chapters three through six. Topics relating to each of the points have been constructed to reflect the views of the participants.

Research output

While this publication forms the main research output of this study, other research output from the study includes:

- a framework paper describing the basic terms in the VET market, the current state of play in Australia in terms of general theoretical understandings and the method to be used in the study. For all intents and purposes, Part I of this study presents the findings of this framework paper
- the distribution of a selection of case study write-ups in electronic format on the World Wide Web[1]

Structure of the report

This publication is organised into three parts.

Part I comprises two chapters—this chapter and the following chapter, where the main aim is to provide an overview of the training market in Australia together with a summary of the relevant literature at the time of writing.

Part II is made up of four chapters, three through six, each presenting the results of case study interviews in the four industry sectors.

The report concludes with Part III. This part is made up of chapters seven and eight. Chapter seven provides an overview of the findings of the case study interviews across all four industry sectors, focussing specifically on addressing the four main research questions at the heart of this study. Chapter eight completes the study with a summary and conclusion.

Review of the literature

Training markets: an overview

The aim of this chapter is to provide an overview of the market concept, with particular emphasis on Australian VET. By way of introducing the concepts and issues relating to the training market, 'training' is first defined. Defining the term is important, given that many discussions on training are often ambiguous and confusing by virtue of the different interpretations placed on the general term 'training' (Sloan & Wooden 1994).

Training is generally understood to encompass the processes whereby individuals acquire skills and competencies to undertake various employment tasks. Discussions of the definition are provided by Sloan and Wooden (1994), Baker and Sloan (1995) and Shackleton (1995). In conceptualising a definition, different dimensions have been invariably included or excluded by different authors.

In recognition of the historical importance of learning-by-doing in acquiring work skills, Ziderman (1978) defines training to include structured and unstructured, informal and formal, as well as on-the-job, in-house and external training. Shackleton gives the widest possible definition of training as 'broadly, any activity which normally tends to promote the acquisition of skills posing value in the labour market' (1995, p.3). In contrast to Ziderman (1978) and Shackleton (1995), other authors have been less sweeping, preferring instead to use definitions that are based on some sense of structure in the process of skill acquisition. This, in turn, simplifies the measurement of training. Industry training has also been defined as 'structured learning activities that take place after people join the workforce and that are designed to contribute to the economic performance of the enterprise' (Dawkins 1988, p.2). The Australian Bureau of Statistics' (ABS 1999) definition of formal training is based on training activities that have structured plans and formats designed to develop job-related skills and competencies.

Despite definitions focussing on employment and the workplace, the means by which individuals acquire the skills and competencies to undertake workplace tasks do not necessarily exclude the education system. Shackleton (1995) notes that some educational programs in the secondary school system and the higher education sector 'indisputably provide training for a professional career'. Moreover, extending the definition of training further, Blaug (1993) argues that some general skills of vocational relevance—literacy, numeracy, communication skills— are acquired in nearly all educational courses, whatever the apparent content.

Hence, there is a difficult boundary to draw between education and VET. Indeed, VET mixes a number of activities including schooling, formal off-the-job vocational preparation as well as activities normally associated with work-based training. Unfortunately, many commentators do not attempt to distinguish between these different forms of training when discussing vocational training at the aggregate level.

In this chapter, we treat the market for training as synonymous with the market for VET—that is, we include vocational training acquired both in the educational sector as well as on the job (either formally or informally). As seen below in the discussion of literature, many discussions of the VET market tend to concentrate on formal VET, mainly focussing on the acquisition of formal qualifications. However, it is important to note that vocational skills may be (and often are) acquired via informal routes.

The next section provides an overview of the market concept as understood and used by economists. Following this, the rationale for government intervention in the training market and a discussion of the training market within the Australian institutional context are provided.

The market concept

It should be highlighted that for a number of reasons VET is not like a normal traded good or service and, as such, it would be somewhat misleading to treat it as one. Reasons for the distinction between the training market and other markets are provided below. Discussion has primarily been drawn from Baker, Creedy and Johnson (1996).

Firstly, unlike secondary or higher education that involves the acquisition of skills via formal qualifications, commonly in a classroom, VET takes place in the classroom (formal training) and on the job (informal training). While many features are common among formal education and VET, the differences in supply conditions between the sectors need to be borne in mind. In many circumstances the formal and informal VET sectors may be regarded as sub-sectors; whether they are competing or non-competing sectors largely depends on the occupational licensing arrangements in place.

Secondly, VET is not transferable—those who purchase training cannot re-sell their skills (with the possible exception of the labour market) or transfer their qualifications to others.

Thirdly, it requires the purchaser to be present at the 'point of sale' (i.e. in the firm undertaking learning by doing or in the classroom in the context of formal VET). In the context of exporting formal VET, this means either the purchaser must be resident in the place of purchase or the seller must establish 'off-shore' institutions—in turn, enhancing the cultural and communication aspects of this transaction. The development of 'distance education' technologies in formal VET lessens this aspect somewhat. Nonetheless, the purchaser is not anonymous and the process of selection of those to whom both formal and informal VET is 'sold' is itself important.

Fourthly, in the formal VET sector at least, the supply conditions are unusual—provision of formal VET in the classroom is subject to a large fixed cost element, raising the question of the appropriate pricing rule. Furthermore, since public providers of VET often have community service obligations (CSOs), this affects the cost of provision, making it difficult to disentangle the cost of services.

Fifthly, although there are consumption aspects, VET is largely an 'investment good'. This means that the returns (to both individuals and employers) accrue over a large period and are thus more difficult to estimate. Moreover, the existence of long-term relationships between employers and employees is one of the important facets which distinguishes the labour market from other types of markets. In the employment context, in particular, it is important to note that training and re-training are often seen as one of the major keys to improving productivity performance. Nonetheless, an employer's return on their training investment (in the form of productivity improvement) will not necessarily pay off. Irrespective of labour turnover, this is due to the fact that individual work effort is influenced by a variety of other circumstances which only influence labour and not capital. The disciplines of human resource management and industrial relations are witness to the fundamental differences between labour and capital inputs. (You can lead a horse to water but you can't make it drink is a good analogy in the training context as well.)

Finally, 'quality' in the provision of VET services is not easily measured.

The six reasons outlined justify why the training market should not be considered like other markets in which tangible goods and traditional services are traded. Having highlighted reasons why it is not possible to treat the training market or the service it provides like other markets and products, it has been necessary to adopt an independent explanatory theory so that economic rationalist principles might be applied to the market.

Blaug (1976) and Marginson (1993) agree human capital theory has been the most influential theory relating to education practice in recent times. Economic rationalist interpretations of the training market draw heavily upon human capital theory that considers VET as an investment with related positive economic and social benefits. Some authors suggest human capital theory has been accepted with blind faith. Although it has been shown increased levels of higher education result in increased income levels, no analysis has linked productivity increases with VET (Maglen & Selby Smith 1995). The causal relationships between training, productivity and earnings have been assumed rather than proven by economists who rely on the principles of human capital theory.

Corporate managerialism has emerged as the dominant form of administration alongside economic rationalism, and has resulted in the concepts and techniques that manage private sector business practices being implemented in the management and delivery of public services such as education and training. Competitive pressures have been introduced by changing public policy objectives sought through social goods, to objectives being sought through economic goods.

VET policy and practice have been progressively subsumed within the discourse of economic rationalism. Laisse-faire economic philosophies have begun to exert an influence over the direction of VET reform. The training market has emerged with organised principles of competition and consumer choice used as the basis for reforming the consumption and production of VET and redefining the roles and responsibilities of stakeholders.

The most notable feature of existing definitions of the training market is they are almost invariably constructed within a conceptual and linguistic framework derived from economic rationalism. It is also common to assume the training market operates within the formal boundaries of the VET sector. The training market concept is, in turn, linked to notions of competition, diversity, choice and perfect knowledge (Anderson 1996a).

The concept of the training market is not confined solely to economists, with some commentators acknowledging markets are social constructions and subject to a range of non-economic forces. Longstanding social traditions and deeply embedded community values of VET act to influence the market. Non-economic influences are commonly referred to as ordinal variables, and are discounted because their influences can not be easily measured. Difficulties associated with including ordinal variables in training market modelling mean economists maintain a stranglehold over the concept of the training market[2].

Fitzgerald (1994) identifies two distinct subsets of the training market, the 'funding market' in which providers compete for blocks of training, and the 'fee-for-service' market in which users purchase direct from providers. The influence of the government involving non-economic factors such as equity and access have resulted in the term 'quasi-market' being developed by policy analysts. The training market is a useful term in that it describes the rationale for decision-making relating to VET, where decisions are based on pricing principles.

Rationales for government intervention

The public policy basis for the government's role in VET encompasses both equity and economic foundations, together with wider social considerations (Allen Consulting Group 1994a, p.vi).

Government has substantial influence over the operation of the training market. This influence ranges from direct funding of training institutions to the payment of training subsidies to participants. Although many of the resources and participants in the training market are directly funded by government, there are some competitive pressures—generally related to planning and budgeting—that have combined to produce what could best be referred to as a heavily managed 'quasi-market'. Market intervention in this study will refer to both support for, and regulation of, training. The extent of control the government has over the training market means it also has an obligation to ensure mechanisms are in place to provide socially and economically desirable outcomes.

Perceived persistent skill shortages in occupational fields such as computing and personal services suggest the need for some improvement in the training market's ability to identify and meet industry's skills needs. Equally, the social objective of equal access has not been fully achieved, with continuing low participation rates by disadvantaged groups. Most State training authorities neither clearly define nor specify the cost of CSOs.

A CSO arises when a government specifically requires a public sector trading enterprise to undertake activities which the enterprise would only undertake commercially at higher prices (*Report of national performance monitoring of government trading enterprises*, cited in Allen Consulting Group 1994a, p.107). Clarifying what is meant by a CSO is problematic: at one extreme the entire publicly funded system is a CSO; at the other, it is claimed that the provision of library facilities constitutes a CSO. Importantly, equal opportunity in the Australian community depends on equality of access to education and training. This indicates a major role for government in the support and provision of entry-level training at a post-compulsory level.

Equity is also the basis for the responsibility accepted by government in relation to access to training by disadvantaged groups, including the unemployed. Historically, women have been under represented in the public training system, a situation resultant of public provider focus on trade-oriented training, especially technical trades. Within the scope of this study, we were able to examine how CSOs are handled by training providers and employers in four industries. While these industries may not be fully representative, a number of the most relevant issues are concretely illustrated. The focus of CSOs in this study was disadvantaged groups; characteristics of disadvantage were determined by the stakeholders.

There is strong justification for government intervention in skills training because of the existence of economic externalities. There is support for government to foster the development of the common skill pool on which all enterprises rely for their labour. Government must play a role in this skill development because of enterprises' unwillingness to invest sufficient funds in training to maintain the nation's skill pool.

Government's main role is not in determining the outcomes from training, but rather in setting the framework and rules required to ensure that the market works effectively. The government's intervention in the training market should be based on the Hilmer principles; that is, the introduction of competition as the central aim while recognising that competition does not always result in either the economic or social benefits promised by economic rationalism.

In concluding, the rationale for government intervention includes the existence of market inefficiencies and distortions, equity considerations, and potential positive economic externalities from increased VET participation. Government intervention in the training market is based on the knowledge that the market alone is incapable of providing maximum social and economic benefit because these two objectives at times conflict, producing sub-optimum results from the market. Government rather than training providers is best positioned to determine which mix of these two objectives should be pursued through market intervention.

The training market in Australia

In this section we draw on the discussions presented in the two previous sections and combine these with the Australian institutional context to provide an overview of the training market in Australia. A history of 'training markets', including a brief overview of the literature, is followed by a synopsis of the main features of the training market.

Confusion shrouds the definition of 'training'—Anderson (1996b) considers the training market suffers similar conceptual problems:

> *In spite of its centrality, the concept of the training market is ill defined, open to multiple meanings and interpretations, and characterised by a lack of precision in usage ... Few analysts or commentators have attempted to provide a clear and coherent definition of the term, and most have chosen instead to work on the assumption that it is an unproblematic and widely understood concept in the public lexicon* (Anderson 1996b, p.18).

Moreover, the term itself appears to be peculiar to the Australian concept and is apparently absent from equivalent policy debates in North America and Asia (Fisher 1993). However, the concept is still present in underlying debates in these areas, despite the term not being recognised.

History of training

A version of the history of training market reform in Australia is documented in Anderson (1996a). This version centres almost entirely on the formal VET sector, essentially focussing on the market for training via the acquisition of vocational qualifications.

According to Anderson (1996a), at the end of the 1980s, the training market in Australia operated as a 'dual' system. Until that time, the post-school (formal) VET system was characterised by a strict separation between public and private providers with respect to curriculum, administration, jurisdiction and finance (Sweet 1990). In other words, on the supply-side of the formal training market, one part (the public sector) was purely publicly financed and was highly regulated, while the other part (the private sector, comprising a mix of industry, enterprise, commercial and ACE providers) received virtually no public funding, and was largely unregulated. In addition, the size of the public sector dominated that of the private sector.

However, with the development of the National Training Reform Agenda (NTRA)[3], there was a number of changes in the regulatory and financial basis of Australia's formal VET system. Using Geiger's (1986) role of private vis-à-vis public sectors in higher education markets, Anderson (1996a) argues that the consequence of reforms in the NTRA is that the private sector has moved from a 'peripheral' to a 'parallel' basis in the training market. The most significant reform underlying this change was the creation of the National Framework for the Recognition of Training (NFROT) in 1992. NFROT is a regulatory mechanism by which private providers and their courses can be registered and accredited by public authorities[4]. In addition, the introduction of competitive tendering between public and private providers for selected government-funded courses[5], preferred supplier arrangements, co-operative ventures and 'user choice', are further developments which have broken down the 'dual' market distinction in the formal sector.

Nonetheless, key differences remain between the arrangements governing public and private provision of formal VET. Consider Commonwealth and State grants for technical and further education (TAFE) infrastructure, sales tax exemption for TAFE, government limits on fee-charging for State-funded recurrent programs in TAFE and limited capacity of TAFE colleges to raise venture capital through commercial loans for new business activities. These differences mean that while the legal, regulatory and financing differences between public and private providers on the supply-side of the formal VET market have been whittled down, at the time of writing they do not operate on an 'equalised' footing.

Indeed, Anderson (1996a) characterises the Australian (formal) VET market as 'tri-sectoral', comprising:

> *a fully regulated or closed market sector in which access to recurrent program funds and capital grants remains restricted to TAFE colleges; a partially regulated or quasi-market sector in which Commonwealth funds for the delivery of training under the Australian Traineeship System, labour market programs, other nationally funded programs and a proportion of ANTA [Australian National Training Authority] growth funds are open to competition between public and private providers; and a deregulated or open market sector in which private, and increasingly public, providers engage in direct competition for clients and resources* (Anderson 1996a, p. l).

The above definition is based on both funding and regulatory aspects within the formal VET sector. By contrast, Allen Consulting Group (1994a) defined three market sectors with respect to funding arrangements alone; that is, direct-funded; funding market; and open or commercial market. Anderson (1996a) also identifies three types of providers: (i) regulated public sector; (ii) partially regulated private sector; and (iii) unregulated private sector. However, a private provider can operate in both second and third classifications of providers because only the *courses* which are required to secure accreditation are those for which they seek government funding through competitive tender, or those for which they advertise on the open market as 'government accredited'. In addition, since TAFE colleges can also provide non-accredited, fee-for-service courses, they also operate in the third classification. Because of these problems, Anderson's (1996a) classification of providers is probably best re-classified on the basis of course, distinguishing between type of provider (public or private) and regulatory arrangements (accredited or non-accredited). Nonetheless, it is important to note that a provider must be registered in order to provide an accredited course.

The training market: another view

Instead of conceptualising a market by the nature of the rules and regulations, the funding arrangements and so on, most economists define a market by the product or service that is traded in the market. Hence, the training market in Australia can also be conceptualised as a series of sub-markets, classified by skill (e.g. hairdressing, electronic technician etc). Moreover, since individual skill acquisition is the ultimate 'product' of training, the training market can be thought of in the context of the production of an intermediate good or service. Indeed, within the human capital framework, training is also regarded as an investment good.

Where do rules, regulations, licensing arrangements, government-funding etc. fit into an economist's classification of markets? Typically, they influence the position and responsiveness (elasticity) of either the supply of training or the demand for training (or both) in either the formal or informal VET sectors. They may also influence the competitive forces that operate within each sub-market; markets can be competitive or non-competitive.

For example, occupational licensing arrangements require the possession of a qualification prior to entry into a particular occupation. These types of regulatory arrangements imply that the entry-level training market is largely centred on the provision of formal training via qualifications. Note that apprenticeship training is an exception since many of the skills are also acquired via learning-by-doing. The issue of skill-based and regulated vocations are of significant importance.

Who are the main players? They are governments (both State and federal), providers (private and public), individuals and employers.

Government plays a major role on the *supply-side* of training in three main ways:

- direct production of training by government agencies
- direct funding of training by non-government agencies or indirect funding via subsidies (to firms or individuals)
- regulation

The direct funding of training by non-government agencies (e.g. via competitive tendering arrangements in Australia or the provision of vouchers or credits to individuals) is described as 'arms-length' provision. This funding is increasingly favoured because of the perceived problems of motivating trainers who are permanent employees of the government (Shackleton 1995). Examples of regulatory activities by government which affect training provision include:

- licensing arrangements—with the main justification being the protection of the public against malpractice
- levies (e.g. the Training Guarantee levy)
- the creation of a 'need' for training through occupational health and safety and tax laws etc.

Regulations—for example minimum wage laws—can either increase amounts of training or reduce training.

Summary

Government and industry agree training provision in Australia required substantial rejuvenation to ensure it remains relevant and responsive to the rapidly changing skill requirements of individuals and industry. Economic rationalist principles and laisse-faire policies were supported by the Deveson report that promoted the virtues of competition between public and private providers. All Commonwealth and State VET ministers endorsed the concept of an 'open training market'. There has been a concerted effort by government to develop an efficient, effective and manageable training market for Australian VET. Although from the extent to which principles of Australia's national competition policy (Hilmer 1993) apply to VET, it appears competition has had a significant impact on the training market.

Recent reform efforts have concentrated on achieving a training market in which providers compete for students and funding. This reflects the view that greater competition will increase efficiency, optimising quality and value for money, and will encourage providers to be more responsive to needs of students and employers who have been re-defined as their clients or users. Many researchers (Anderson 1996b; Fooks 1995; Marginson 1993) question the relevance and effectiveness of applying economic concepts to education and training. Selby Smith (1995, p.8) perhaps sums up the confusion regarding the application of economic principles to VET, saying the training market 'would appear at times to be used as a proxy for the desire to make the VET system more "efficient", more "responsive" or more "commercial"'.

Case studies

In the following four sections, results of case study interviews are presented. Although interviewees' responses were tape recorded, they have not been transcribed verbatim into this report. Some editing has been performed to remove those parts not pertinent and to improve grammar—to reduce length and make the comments easier to read. Special care was taken to ensure the edited comments remained consistent with the interviewees' original responses. The comments presented provide an insight into identifying the sources of information for planning of training; purposes and priorities for training; strategies and procedures for training; perceptions of the determinants of supply and demand; perceptions of barriers or impediments to training; and perception of the training market.

The following sections contain the findings of case studies conducted as part of the research for this project. The information presented here is not a comprehensive coverage of training-related issues in the industries included. The information presented is used later in the report to answer four key questions relating VET markets to the industries studied. It is obvious that numerous other questions may have been covered with the details presented. The case studies serve as a basis for other questions that may develop or derive from the presentation of this or subsequent reports.

Tourism and hospitality

ITABs

Importance of skills acquisition by current employees

The greatest need for skill development relates to new employees. It remains important for employees to gain new skills and update current skills. The way in which employees are attaining skills is changing; many fundamental skills are now learnt on the job. It was recognised there was changing demand for skills in the industry in a move away from general skills to specialisation. Demand for new skills in current and potential employees derives from increasing customer service expectations, technological changes such as company-wide computer systems, and enterprises targeting market niches. The extent of new training methods, module courses and competency-based training indicates that industry considers training for current employees to be an important issue.

'Drivers' of training in industry

The ITABs recognised there had been a change in the composition of the workforce in the industry with higher turnover in staff levels. Finding staff willing to commit to a three or four-year term on low rates of pay is becoming more difficult. Employers are less willing to invest in expensive 'traditional' forms of training. Training is becoming customised to the requirements of individual establishments with on-the-job/in-house training. There is a move away from transferable, general training, to specialised training that is location specific and controlled by the employers. Recognition of Prior Learning (RPL) is partially a response to the trend of on-the-job training, as is the push for quality assurance.

Effect of deregulation on training

This question was answered in the context of the abolition of the Training Guarantee Levy (TGL), although some mention was made of private provider training. The introduction of the TGL was seen to promote the concept of training, although its effect on levels of training investment was never clearly identified. Hangover effects from the TGL are not considered to have an impact on the current level of training. It is recognised many employers contributed funding in excess of the TGL prior to its implementation. Module-based training is seen to be a positive move. There are an increased number of private providers in the market, and larger organisations are establishing their own training facilities. Training providers must now be competitive in their delivery (flexibility and cost), and be effectively marketed to industry and individuals. There is a greater onus placed on providers to ensure they respond to the demands from the market rather than dictating products.

Quality assurance effects on training

There were mixed reactions to questions about the impact of the quality assurance movement on training, with some respondents being very supportive of the movement, and others disparaging of it. It was universally recognised that quality assurance had an influence on how training is delivered and perceived. Pressure for quality, professional training derives from two major sources. Enterprises have expectations of better outcomes from the time and money they invest in training. Individuals want training to provide skills and qualifications valued by enterprises. In addition to client demands, there are quality assurance requirements for courses to gain government certification.

The amount of training that is quality assured is unknown. However, the cost of having training certified restricted smaller providers from gaining quality accreditation.

It was recognised that quality accreditation does not necessarily mean quality products, with some providers emphasising accreditation rather than satisfying consumer-based requirements for service provision. Alternatively, other providers who are not quality accredited have been recognised as providers of quality products because of the systems for delivery they have in place.

How employees commonly acquire vocational skills

On-the-job training has become an increasingly important means for employees to acquire skills. An increase in numbers of private providers suggests they are more widely used in provision of training. TAFE claims to have retained its market share of training provision. Module-based curriculum has increased participation levels in training courses. Employees are able to undertake training, which isn't based on a curriculum, while working in the industry. Those who are employed in the industry and are taking refresher courses or career advancement modules comprise an increasing proportion of students. Work experience placements are an important component of courses, enabling students to develop a work ethic. Work experience placements allow training providers to utilise actual workplace facilities without capital investment and allow employers to trial potential staff.

Formal strategic planning

Strategic planning and determination of industry-wide priorities for training and employment are an important consideration for ITABs. ITABs recognise the need to consult with employers when determining directions for strategic plans. Industry bodies, government and training providers are also identified as being important participants in developing a strategic plan. Both qualitative and quantitative data are used to determine priorities for contents of the plans. Short and long-term goals are developed and equity issues are incorporated into the plans. The primary aim of developing a strategic plan is to ensure demand for training by stakeholders is met by training providers.

Gaps in training available

The deregulation of the training market has resulted in greater choice of products and services and increased flexibility of training delivery. In developing new products and services, training providers have failed to consider the needs of small enterprise. Despite stakeholders determining training priorities for the industry, gaps remain in the training provided. Gaps occur when courses are expensive and/or time consuming. Legislative regulations also create gaps in the training market.

Impact of government regulation on skill levels

The training market is influenced by legislation principally relating to liquor, gaming, occupational health and safety and health and hygiene. Government regulations such as the TGL are considered to be positive because they put training in the minds of industry and the public. Public providers are disadvantaged by legislation controlling their pricing scheme. Pricing controls regulating public providers are considered restrictive to skill development in the industry.

What is meant by the 'training market'?

The training market is considered to be the same as a product or service market. The suppliers and demanders of training are clearly identified by the ITABs and the manner in which these two influences interact is understood. It is recognised that market imperfections exist. There is a need for greater distribution of information regarding the supply of, and demand for, skills. Having a well-informed market is essential for efficiency of delivery and relevance of outcomes to individuals and employers. Regulations outlined above influence stakeholder decisions but the market is representative of a free market.

Training providers

Information used in devising courses and subjects

The level of information used in developing courses and modules varies but there is common recognition of the importance of discussion with industry. The primary sources of information from industry are direct involvement or contact with enterprises, contact with ITABs and TAFE, and general labour market information.

Most providers are pro-active in accessing information. Major employers and industry organisations are principal contacts. Little consideration is given to the concerns of small enterprises when developing new courses.

TAFE's role in developing courses and subjects extends further than information provision. TAFE acts as the module accreditation authority overseeing training throughout the industry. Modules and curricula must be developed to meet guidelines for accreditation. A number of providers perceive government training regulations to be out of date, not reflecting industry standards.

Labour market information is used by a limited number of providers in developing courses and curricula. Those who use labour market data note that the data are often out of date. The time lag associated with the collection of the data, combined with the time taken to develop and implement the training, can mean that courses and curricula may no longer be suitable for the training market.

Evaluation/quantification of training benefits

Stakeholders demand that training is adaptable so that it remains relevant to their needs. It is common practice for training providers to attain formal evaluations or feedback regarding the benefits of training derived by their clients. Regular contact with employers was considered of utmost importance to maintain the relevance of courses and skills attained.

Formal feedback obtained using questionnaires and reports is common. Some informal feedback processes are also undertaken.

Students and employers participate in the evaluation of training and subject materials because training is considered relevant to both stakeholders. Evaluation ascertains the relevance of training to work and the quality of training facilities and provision. Stakeholders are asked to provide information on the relevance of training to work experience/industry placements and satisfaction with the teaching and facilities provided.

Workplace structures, including curriculum maintenance committees and peer mentoring groups for teachers, are mediums through which feedback on training is gained. ITABs also provide evaluation of training and its benefits as related to the industry training plan.

Effects of deregulation

Deregulation of VET has resulted in what providers describe as competitive, efficient and flexible changes.

The increase in private training providers has been a direct response to stakeholder recognition of private providers as legitimate providers of qualifications and skills. An increase in both competition and co-operation amongst training providers has characterised the period of VET deregulation.

The effect of deregulation-led competition is universally agreed to be a reduction in the cost of training. The perceived effects of this reduction in cost vary from increased participation to a reduction in the quality of training.

An undisputed effect of deregulation has been an increase in the flexibility and responsiveness of training provided. Training providers react faster and more effectively to the demands of clients. Clients are able to customise their courses of study, attending more than one institution and choosing their own modules to compile courses. Flexibility has resulted in a redistribution of the student population between private and public providers. Private providers now cater for a greater number of entry-level (basic training) clients.

The creation of an export market for VET and a more open relationship between providers and ITABs is attributed to training market deregulation. Private providers consider deregulation should remove market restrictions in tendering processes and relax regulations relating to the accreditation of modules and courses.

Formal strategic planning

Strategic planning for training is not common among training providers. Planning principally relates to business and marketing strategies. Yearly earning targets are specified in providers' annual strategic plans. Providers recognise that module and course accreditation play an important role in ensuring training complies with industry training plans.

Planning for training providers is principally demand driven, with corporate structures within the provider institutions developed to service the needs of clients.

Of those providers who had developed strategic plans, it was universally agreed liaison with industry to determine levels of demand for a service was 'very important'.

Provision for special needs

The two greatest influences regarding provision for special needs related to government funding policies and providers' perception of employer demands for staff.

In responding to 'special-needs' clients, providers generally cited official policies relating to non-discrimination and open access. Methods of catering for special needs include promoting access to training by individuals from diverse cultural and socio-economic backgrounds, and conducting training courses in remote rural locations.

People from non-English-speaking backgrounds (NESB) are the disadvantaged group for whom most training providers cater. Support services and special facilities were provided to assist clients with language difficulties. People with physical disabilities are not well catered for in training for the industry. Some training providers claim there is no need to cater for disabled students, because these students are not able to gain employment in the industry. This view was not shared universally among training providers.

Outlook for skills acquisition

Providers expect the increased level of competition experienced since the deregulation of the training market to level off as unviable training providers move out of the industry. Providers expect to define areas of expertise or specialisation and adopt a co-operative approach to provision of training.

Training products are expected to remain relatively standard for the next five years, however the market is expected to play an increasing role in the development of new curricula and modules. Demand for VET is expected to continue increasing, with significant contributions from international students and better informed enterprises.

The principal location or place of training is expected to change. Training is expected to shift from traditional classroom-based activities to industry workplaces. There is a trend towards making industry responsible for the assessment of training. Generally training is provided in classrooms. Enterprise-specific skills are developed on the job.

Practical and applied skills are expected to play an increasingly important role in training—at the expense of theoretical knowledge. Those who pay for training, individuals and enterprises, demand workplace-related training.

Specific impediments to training

The extent of restrictions or impediments to training varies between public and private providers, and appears relative to the financial and capital capacity of the provider.

Specific impediments to training include the need for accreditation of courses and modules, time required to provide courses, quotas placed on publicly subsidised courses and the difficulty of employing training staff with appropriate skills and experience.

Budgetary constraints exist and are evident in the ability of providers to supply suitable locations, facilities, staff and timing of course provision for clients. Budgetary considerations are also evident when considering the clients who cannot afford either to take time off or provide it to their workers. Training providers are caught in a Catch 22; they must be more flexible to win contracts, but must also have a critical mass of students to ensure courses are viable.

Inappropriate training is considered to be restrictive. If training does not match the demands of employers, then clients will be dissatisfied with the service and would be unlikely to return to VET.

Changes to the training market have removed many impediments previously experienced by clients of the market. The introduction of fee-for-service has reduced restrictions on the provision of training.

Impact of government regulation on courses and subjects

Training providers' opinion of the effects of government regulations varied considerably. Some providers interviewed considered regulations to have little or no direct impact on their training, while others considered regulatory effects to be considerable. Requirements relating to employment conditions, liquor licensing and gaming laws were considered influential in determining the content of training and need for courses for the industry.

Directions of regulatory influences are considered to be positive and negative. Deregulation of employment conditions is perceived to have had a positive effect on training, with increased numbers of people working in the industry. Alternatively, liquor licensing and gaming legislation require persons to be of a minimum age. Age requirements limit the numbers of potential students, and enterprises must often provide in-house training rather than employing external providers.

Providers saw tendering contracts of training as a regulation with positive effects. Tendering has forced providers to be more efficient and provide better quality service. Another positive benefit from government regulation has been the development of an export market for VET based on accredited module provision of training.

What is meant by the 'training market'?

The training market is considered similar to other markets in which products and services are traded. Training providers consider the training market to be an open market.

Training providers' understanding of the training market varies markedly. Expressions range from 'the role of the providers in the market is to supply the training', to 'training needs analyses and employer feedback is used to determine course structures and designs'. Training providers' concepts of the training market are confined to the supply-side issues.

Communication and transfer of information are cited as important features to ensure efficient market operations.

Demand is derived from two areas: employers (industry) and individuals (especially school leavers). The extent and relative influence of supply and demand in the training market is unknown.

Effect of competitive pressure

Training providers universally agreed competitive pressures influence the VET market and the provision of training. Public and private providers have reacted differently to competitive pressure but there are some universal adaptations from all providers. An increase in responsiveness and development of business and marketing plans are responses to competitive pressures.

The amount of training provided by private institutions has increased with the deregulation of the training market. Private providers supply customers with unique training packages. Co-operation amongst training providers is a feature of a competitive training market. Training infrastructure and expertise must be shared to ensure commercial viability.

Competition has resulted in the cost of training being reduced, clients having an increased choice of training providers and training increasingly being customised. On-the-job training and workplace delivery have emerged as preferred methods of training provision. Training providers believe there has been an increase in the amount of training provided.

Employers

How employees commonly acquire vocational skills

When considering employing new staff, an appropriate attitude is considered more important than current skills or qualifications. Some employers expect prior experience or qualifications, but for those employers expressing this requirement there was an equal number who said they did not. Where experience or qualifications are deemed important, on-the-job training is still required to bring staff up to speed with the methods and practices of each workplace.

Training qualifications favoured by employers for new employees are from TAFE. TAFE is claimed to provide realistic, vocational-oriented training. Once on the job, the majority of employees' training is workplace based.

Induction programs for new employees are common. Buddy systems, where new employees are paired with senior staff, are favoured in the initial stages of employment. Training provided following induction varies from in-house training using set procedures to the use of external providers.

Large employers tend to be better able to provide in-house training. Conversely, small employers indicate a need to utilise external training providers. In-house training programs are the most common method of training staff. External providers are an alternative source of skill acquisition but are used mainly for senior staff training.

Evaluation/quantification of training benefits

Employers interviewed agreed that measuring the effects of, and outcomes from, training is difficult. Despite the recognised difficulties, most employers attempt to quantify results from their investment in staff training.

Methods used to measure the impact of training in the workplace include gathering data covering in-house monitoring of technical skills, guest comments, turnover of employees, accident levels, number of warnings issued and direct feedback from employees. Most feedback is formal, although some employers also sought anecdotal evidence. The most common means of determining the impact of training related directly to employees, their satisfaction levels and their ability to complete tasks including the provision of service to clients.

The ability of enterprises to negotiate directly with providers regarding desired outcomes from training influences employers' perception of training effectiveness. Enterprises better able to negotiate desired outcomes are more satisfied with training provided. Although training providers were perceived to be responsive to the needs of companies, the quality and effectiveness of courses they provided was questioned.

Reasons for training staff

Employers recognise training is an important value-adding strategy. Training is commonly incorporated into enterprises' strategic plans and policies. Plans and policies are developed to incorporate the training needs of all staff and aim to create competitively skilled workforces.

Training needs analyses are commonly used to determine training and skill requirements. Staff and client surveys provide additional information used to determine training needs. Some enterprises have human resource departments responsible for identifying workplace sections and individuals requiring training. Managers, co-workers and trainers provide examples, skills and tuition.

Individuals identified with career potential within an enterprise are favoured for training. Individuals who show initiative, nominating themselves for training, also tend to be favoured in selection for training.

Provision for special needs

Training for employees with special needs is not given a great deal of consideration by employers; neither is it totally neglected. Large enterprises are more likely to employ persons with special needs. Enterprises who employ individuals with special needs have developed or implemented training that considers employees' special needs.

People from NESB are the most common special-needs group that is catered for in employee training. One employer has developed a training program using colour-coded diagrams for systematic learning. Another employer had a reciprocal training arrangement with a provider using workplace facilities in return for special-needs training. 'Support-cultures' such as peer monitoring are developed for employees with special needs.

Employers with no previous experience of special-needs training indicate they are willing to accommodate an individual's needs if they arose.

Enterprises involvement with programs training disadvantaged and special-needs individuals provided a mix of perceptions: some supportive, others disparaging. Difference in perceptions of special-needs programs were determined by the type of special needs of the trainees. Employers considered the unemployed the least successful in workplace-related training programs.

How participants for training are selected

Training decisions are based on three factors: legislative requirements, strategic planning by employers and career development by individuals. Training participants are selected as a result of workplace structure analysis and the need to have a competent and legally compliant workforce.

Workplace analyses include checks of department workload allocations and personnel reviews. Legislative requirements, especially in gaming and liquor, and employment awards influence the extent and types of training provided.

General training is a needs-based decision. Sectors or individuals lacking skills, expertise or legal compliance are targeted for training. One employer surveyed agreed to provide training to employees at the next highest work skill level within 24 months of commencing employment.

Staff are given opportunities to participate in training decisions. Initiative is considered important and preference for training is given to individuals who nominate themselves, those who hold long-term or permanent positions, and those identified by management as having career prospects. Seniority of employment also has an influence over the selection of staff for training, and management is typically guaranteed of receiving some training.

Productivity gains are not considered to be a primary factor in decisions made regarding training.

Impact of government regulation on skills

The impact of government regulations on skill levels varies among enterprises because of the range of regulations related to each workplace. Most regulatory impacts relate to legislative requirements regarding occupational health, safety and hygiene.

Government-sponsored employment programs also affect employee skills. Employers criticised government-sponsored training initiatives that they felt created a mismatch between skills supplied and skills required by industry. Competencies that must be achieved during apprenticeships, and regulations relating to gaming and licensing, influence the amount of training and skills acquired by employees in these occupations. Employers consider regulations regarding apprenticeships (e.g. how and where students must learn) to be onerous and restrictive.

Limits on earnings for Austudy recipients, an issue especially applicable in tourism and hospitality where casual labour is prominent, restrict the willingness of employers to provide training.

The reduction in cost of training associated with the deregulation of the training market has resulted in more training being provided to employees.

Advice from ITABs

Employers do not consider the ITABs to be primary sources of information regarding VET. Despite the perceived lack of relevance, all employers were aware of the ITABs relevant to their industry.

Employers perceived ITABs to be of little direct use. Rather, employers perceived ITABs' role to be the provision of 'training direction' for the industry. The ITABs' lack of enterprise-specific support led employers to question the need for the organisations. One employer surveyed interacted with an ITAB as a member of an industry training review panel.

Operation of the training market

All suggestions regarding improvements of the market related to supply mechanisms, and served to highlight the conflict that exists in the market between supply and demand.

Suggested improvements to the training market included matching goals for equity programs with enterprise demands, distributing training subsidies directly to employers, and diversification of general training to include 'life skills' required by workers in an industry.

Additional methods to improve the operation of the training market include training providers reducing the use of traditional training methods and facilities, and providers marketing themselves and their products more effectively. Cost and training practices need to adapt to the demands of a casual labour force.

Discussion

Non-traditional employment conditions are prevalent in the industry, with high levels of casual labour and high percentages of women employed in various positions. The industry with variability in employment conditions also employs many people with special needs. People from NESB and those with learning and language difficulties were commonly employed in the industry.

Small businesses are also prevalent and have complained about their level of involvement in the development of training priorities. Employers in the industry have had little experience with training with the exception of the cooking apprenticeship. Training for the industry principally has an on-the-job focus.

The ITAB and training providers considered that VET is traded in a manner similar to other products. Stakeholders accept that price is the rationale for training-related decisions.

All stakeholders surveyed agree information dissemination and understanding of training products available is important for ensuring training markets operate effectively.

There is some contention among stakeholders regarding the level of market intervention influencing the training market. ITABs consider the training market to be 'free', while employers consider it to be supply dictated or regulated. Providers perceive that demand influences what training is available in the market.

The tourism and hospitality industry has been successful in establishing new training methods and practices. Many of the larger enterprises have developed in-house training programs. The diversity of employment in the industry has necessitated the adoption of on-the-job and competency-based training. Other reasons for the development of in-house training mechanisms have been the need for specialist facilities, especially in the fields of cooking and gaming. The prevalence of employees with special training needs was also a contributing factor to the development of new training practices.

Summary—Tourism and hospitality

Principal market orientation	–contentious among stakeholders
Important considerations	–price of training is principal decision tool
History of training	–little history of training with exception of cooking apprentices
Influential factors	–non-traditional employment in industry –specialist skills and facilities are required for training

Secretarial and administrative services

ITABs

Importance of skills acquisition by current employees

ITABs considered that development of employee skills and the creation of an adaptable labour force are important for the industry. Maintaining relevant and effective skills is equally important to individuals and enterprises. Individuals recognise the importance enterprises place on up-to-date skills and are often willing to participate in courses during their own time, and often at their own expense.

Short courses are considered an effective means for employees to develop new skills. There has been an increase in demand for short, tailored courses by employers.

Training providers help meet the needs of industry by providing short courses that allow employees to adapt to technological innovations and new work practices being introduced to the workplace.

A better understanding of the labour force's skills needs to be determined before employees' training needs can be accurately determined.

'Drivers' of training in industry

The lack of entry requirements to the industry means there is a considerably under-credentialled workforce. Post-secondary training has always been available through the public and private training providers. There has been no culture of training; career development has been tenure based. Seniority is commonly related to time served in the industry or enterprise.

Training in the industry has tended to be supply driven, reflecting previous decisions of TAFE. Some skills (e.g. typing and shorthand) have a history of being taught, but there is a considerable number that do not (e.g. phone operation and computing packages). The industry has needed to be adaptive—apprenticeships and traineeships have recently been introduced.

Effect of deregulation on training

Training practice has been affected by deregulation in two ways. Firstly, more providers are servicing the industry. Private training providers have established themselves to compete with public training providers. Secondly, the adaptation of training practice tends to reflect demand pressures. The 'modularisation' of training is a direct result of increased competition in the training market. In addition to the increased level of delivery, the range of training products (modules and courses) offered has increased, allowing greater flexibility in content of training.

The range of supply options available to clients is considered to increase viability and attraction of training. On the down side of adaptation there has been a perception of people 'bombing out' of courses. This perception is a misunderstanding based on the fact that individuals are only completing selected modules and not entire courses.

Quality assurance effects on training

Quality assurance is not considered to have significantly affected training in the industry. Occupations within enterprises that have adopted quality assurance are likely to have undertaken increased levels of training and re-skilling.

Management recognises the need for employees involved in quality-assured production to understand quality concepts. Training associated with quality has been necessary to ensure that employees have appropriate knowledge and skills. Training priorities within enterprises may have been expanded or reallocated depending upon budgetary considerations.

The effect of quality assurance on the standard of training provided in the industry was not known.

How employees commonly acquire vocational skills

Skills are commonly acquired in one of three ways. Firstly, through full certificate or diploma courses, which are offered with the approval of the State curriculum advisory committee. Secondly, through modules or subjects which comprise portions of certificates and diplomas for which there is demand. Clients undertaking this training generally have no intention of completing the requirements for a qualification. Thirdly, through training not related to the ITABs. This training is generally on the job or in house and is commonly assessed using competency criteria. Formal qualifications are not commonly associated with in-house training.

There are three types of training providers: public, private and in house. TAFE (public) is a significant provider of training for the industry. Numerous private providers also contribute to the industry's accredited training efforts. Enterprises' in-house training efforts are not well documented but are perceived to be a significant means of skill acquisition for employees.

Formal strategic planning

An industry training plan is developed annually. The annual plan forms the basis of advice provided to government and training providers.

Information used in the development of the plan comes from a variety of sources. Industry consultation, labour force data, ABS data and hands-on research all contribute to the compilation of the plan. The ITABs survey enterprises, through mail questionnaires and phone follow-ups, and interrogate ABS data to develop a forecasting tool for regional information on skills required. Involving enterprises in the development of the annual plan ensures the plan remains relevant to the industry. Anecdotal information from enterprises is considered to be of the utmost importance in the plan compilation. Changes are made annually to the plan to ensure it reflects the demands of industry and provides choice to consumers.

Gaps in training available

Some providers are very successful in gaining employment for their graduates. Such situations reflect a close link between the demand for, and supply of, skills.

When offering an accredited course, it is possible to incorporate the needs of employers—this is effectively customised training.

Training for the industry has not been quantitatively evaluated. The repeated purchase of short training courses by industry suggests the needs of enterprises are being satisfied, if only partially. Providers capable of supplying workplace-based training and courses based on the training needs analysis of an enterprise must be encouraged to provide this training.

Customisation of training courses and increased flexibility of delivery is required before the complete range of enterprise demand is satisfied.

Impact of government regulation on skill levels

Government regulations or deregulation are considered to have relatively little or no influence on training in the industry. Factors such as technology are catalysts for substantial changes in training delivery and skills of employees.

Government course accreditation requirements should focus on skills attained rather than student contact hours. The introduction of RPL and competency-based training is seen to have had a positive influence on the training market adapting to industry demands.

To overcome the perception that the training market is supply driven, government regulation should favour those providers who are reactive to demand pressures. There is a need for increased government incentives or rewards for training providers who are innovative in their methods and modes of provision.

What is meant by the 'training market'?

The market is a 'blend' of suppliers and consumers interacting to create and develop training packages. Demand is derived from consumers who identify skills required. Skills required include firm-specific skills and general skills. On the supply-side of the market there are training providers. Both publicly and privately funded providers supply training.

On-the-job (informal) training is becoming an increasingly important part of the training market. There is a lack of understanding relating to training that is undertaken informally.

The ITAB's role in the training market is perceived as that of an 'organisation of influence', not delivering or purchasing training, but there to advocate and advise. The ITABs work to ensure the market is effective and efficient.

Training providers

Information used in devising courses and subjects

Training providers realise that meeting the needs of clients, including individuals and enterprises, is a priority. A network of enterprises and other training providers comprise an 'information-net', used to determine which issues should be priorities when developing training courses and modules. Consultation with industry stakeholders takes place through bodies such as industry advisory committees.

Having courses accredited is one means of ensuring that modules are aligned with industry best practice and that those curricula remain relevant to clients. Employing trainers who work in the industry is another way in which industry expectations are integrated into training provision.

Product suppliers, especially those dealing in technology, keep training providers informed of industry trends. Feedback from enterprises, both formal and informal, is kept to determine the relative importance of skills in an industry. Job advertisements are systematically examined to measure objectively skills and attributes demanded by enterprises.

Students (considered to be clients) are formally surveyed to gather information regarding their perception of skills learned in training, and the relevance of these skills to industry. One training provider included mechanisms within their quality assurance procedures for consultation with industry. Consultation took place through industry advisory committees.

Evaluation/quantification of training benefits

Evaluation is perceived as an important element of training providers' business plans operations. Training provides skills for both the general labour force and specific jobs. Individuals gain non-economic benefits from training. The ranges of outcomes from training make evaluation and quantification of the outputs difficult to measure effectively.

Evaluating the relevance of training to industry is determined by the rate at which graduates are employed. Alternative, more sophisticated methods are used in gauging benefits derived from training.

Questionnaires are a common means of determining employers' attitudes towards, and perceptions of, training. Employers of recent graduates are contacted, and the information they provide is used to gauge how graduates fit into the workplace.

Training providers believe that the best signal of the relevance of training to the industry is the number of employers who return seeking to recruit a new graduate. The inclusion of employers in the development of training courses ensures the benefits of training are maximised through course and module refinement.

Effects of deregulation

The effects of training market deregulation range from shifting profit margins for training providers to changes in access to, and quality of, training provided to clients. Perceptions of deregulation effects are not universal among training providers surveyed.

Providers have experienced an increase in competition for clients. Competition derives primarily from private providers who have recently entered the training market. The increased number of providers has resulted in an increased level of interaction between providers. There is a need to know what other providers are doing so training supply is not replicated. Co-operative relationships have developed between providers. Working co-operatively is beneficial for marketing purposes and there has been an increased awareness of training available.

Following training market deregulation, public training providers have not become cost effective—they have simply become commercially focussed. Competition is based on reaction to demand. Demand is determined by cost, flexibility of delivery and reputation of ability to produce expected outcomes.

Formal strategic planning

Formal training plans have time-scales no longer than a single course. Training providers' formal planning only relates to their business functions.

Training providers consider being reactive to client demands is more commercially viable than dictating to the market through formal training plans. Changing technology, increased competition and consumer trends mean it is not commercially viable to dictate what training is to be provided.

Providers set an objective of being able to respond to the demands of clients while remaining within the bounds of the national training agenda and maintaining commercial viability.

Provision for special needs

Training providers servicing the industry identified five special-needs or disadvantaged groups. Groups include students with disabilities, overseas students, students with literacy difficulties, males and mature-age students.

As a condition of being registered with the State Training Board (STB), training providers agree to accept students from disadvantaged backgrounds. In the case of secretarial and administrative service training providers, this means consideration must be given to males (who are non-traditional participants in the industry). Wheelchair access to training locations is necessary to gain registration, and is influential in decisions regarding which buildings are used as training locations.

Overseas students, an important income stream for training providers, are considered to be special-needs clients. Restructuring of course content towards business and commerce has increased the participation of males to around 10 to 15 per cent of courses. Mature-age students are catered for through the provision of courses and modules designed to build on current skills, and to develop confidence levels. Individuals with literacy difficulties are referred to learning support facilities. Facilities are sometimes external to the training provider.

Providers have not made efforts to cater for special groups. Training providers tend to concentrate efforts on conforming to legislative requirements regarding equal opportunity and accessibility.

Outlook for skills acquisition

Employers seek highly competitive, technical skills in employees. People who are multi-skilled are in demand. Graduates are expected to have covered an increasing range of subjects without specialising in any particular field.

With restructuring of the workforce there is likely to be more job-sharing, part-time jobs and an increased emphasis on multi-skilling. The need to provide graduates with generic skills that can be refined to employers' specific needs is expected to continue. Specialisation of training will occur at the employer level.

The drive for changes in training practice in recent years has come from technological innovation. Continued technological innovation means the need for adaptable learning infrastructure and institutions will be maintained.

Increasingly, training will take place away from training centres. A mix of face-to-face and on-the-job training is emerging. Public training provision will remain to provide traditional modes of delivery.

Specific impediments to training

Impediments to training can be divided into two categories: financial impediments and structural impediments.

Financial impediments are the primary concern of the providers surveyed. Increased competition makes it less viable for providers to offer the same courses and modules they have previously. Institutions' budget constraints restrict the ability of providers to promote training; this, in turn, limits the ability to raise income. To compound budget pressures, the rate of technological change related to the industry remains high. The need for software and hardware upgrades remains a constant pressure, as does the small class size. Classes will generally not be offered if a prescribed quota of students is not reached.

Structurally, TAFE claims it is disadvantaged in terms of flexibility in course provision when compared to private providers. The structural disadvantage is best represented by TAFE's inability to flexibly utilise their infrastructure (classrooms). Another structural limitation is that most employment opportunities are provided by small enterprises, while training providers and larger enterprises determine the industry training plan.

An emerging mismatch between industry needs and training providers' requirements for course accreditation is identified. The most significant structural limitation relates to demand. Students, a source of demand for training, are choosing to stay at school and complete year 11 and 12 in increasing numbers. University attendance is also increasing, reducing the potential number of training clients.

Impact of government regulation on courses and subjects

Market signals regarding the type and method of training demanded are masked by the interventionist influence of government regulations. The commercial need to offer accredited modules and courses to attract students eligible for Austudy means there is a bias towards training that leads to a recognised qualification.

The system does not allow for rapid responses to market forces. Time constraints relating to the accreditation approval limit the range of courses and modules offered. The effort required to be accredited, and the resultant conformity of training products does not add value to training. Government regulations act to restrict the sale of training internationally. Administrative requirements mean catering for overseas students in training is both expensive and time consuming.

What is meant by the 'training market'?

The training market is like any other product or service market. The training market is a market for skills. Training providers need to be commercially viable and provide quality, value-for-money training. The forces of supply and demand are shaping the way training is delivered and the decisions made by stakeholders.

Competition for clients exists between training providers. Competition is principally based on the reputation and cost of the provider. Training providers also work to distinguish themselves through the courses they offer. It is clear training providers understand the concepts of supply and demand as they relate to training courses offered and skills acquired.

Training providers recognise that a shift from supply-driven to demand-determined training is necessary for the commercial viability of the market. The priority of providers is to meet the needs of the industry and their clients.

The training market is not just the public and private providers. The market also comprises in-house training provision and community training providers.

Effect of competitive pressure

The training industry is competitive and includes public and private trainers. Competition is based on two factors: cost and mode of delivery. Clients are also attracted to providers by the level of job placement success that providers' courses have.

Providers keep an eye on competitors—examining prices, curricula and training techniques. Competitive tendering is one example where economic viability and reputation among providers is pitted in the 'ultimate commercial battle'. The ability of providers to compete in competitive tendering processes is a good representation of their status in the industry. Public and private training providers believe they face competitive pressures for different reasons.

Public training providers pay considerable attention to access and equity considerations. Private training providers are increasingly selective in their recruitment of students, and are able to enforce codes of conduct on their students.

For all VET providers, universities and schools are beginning to encroach on their market niches. Competition from other types of training providers is forcing VET training providers to increase their marketing and to define better their products.

Employers

How employees commonly acquire vocational skills

Induction programs are common for employers in the industry. Employers surveyed had workplace induction programs ranging in duration from three days to two weeks. The way employees gain new skills depends principally on the seniority of their position.

Employers consider employees' acquisition of vocational skills to be important. Structural and financial assistance is in place to ensure that training remains a priority for employees.

Mentoring, peer support and formal in-house training are common. In-house training is provided by a specialist trainer or fellow worker, who teaches skills and knowledge applicable to specific positions.

Employers noted 'learning philosophies' of organisations were promoted to encourage employees to gain skills and to teach others. Industry-based training was also cited as a means of learning and was considered to be well supported.

Employers support financial assistance for skill acquisition providing time-off, study leave and, in some cases, contributing towards course costs. External study is a small percentage of training effort. Employers estimate 90 per cent of training is done on the job.

Evaluation/quantification of training benefits

Expectations of outcomes from training play a greater role in employers' decision-making than post-investment analysis. Most employers undertake post-training evaluation. Feedback regarding training providers is gained both formally and informally. Management and training staff often appraise the content of a training course to determine if they 'measure up' to promised outcomes.

Employers engage providers on the understanding they will supply training to meet specific demands. When employers choose training providers or courses, only those with proven records are considered. Pre-testing of training providers ensures they provide what they are contracted to. Employers maintain records of training providers and only contract those with whom they are satisfied.

Reason for training staff

Employers in the industry have an objective to provide high quality service to customers. Training needs develop internally from service objectives. Service requirements with profit motives are the basis for most training decisions.

Human resource staff and management identify the need for types of training. Decisions may be based on legislative compliance or business planning. Customer feedback and the perception of what is required to remain competitive also contribute to decisions regarding the type of training provided.

Formal training plans are sometimes developed from the prevailing management philosophy. For those employers with training manuals, the manuals are designed to provide guidelines for learning, not instructions for tasks. The instructions which manuals contain may act as identification tools for determining who should receive training. The sanctioning of training is based on the perceived organisational needs which drive the need for skill acquisition at the individual level. Service requirements with profit motives are the basis for training decisions.

Provision for special needs

Employers in this industry made no mention of employees with special needs. Special-needs training of equity target groups are not incorporated into employers' training plans.

Special needs are incorporated into the training of staff work teams. Learning outcomes are not measured by an individual's ability to complete a task. The focus of training has changed to ensure work teams are capable of performing to the service standards required. The abilities and aptitudes of individuals within the team are not considered to be as important as the combined ability of the team.

How participants for training are selected

Participation in training is based on personnel appraisal systems. Training is designed to bring the skill profile of the staff into line with the organisation's needs. Much of the skill acquisition that occurs is on the job.

External training courses are favoured for management-level staff. Specialist staff with teaching abilities are favoured for training where appropriate (especially in information technology). Employers indicated that the more detached from the workplace the training was, the more likely senior individuals are to attend.

Impact of government regulation on skills

Government regulation has an impact on the skills of employees in this industry. Much of the influence relates to the allocation of funding between training useful to performing jobs (profitable), and that relating to having a workplace compliant with health, safety and other government regulations (non-profitable).

Employers surveyed believed there was no noticeable effect from the introduction of the TGL in 1990. Despite a perceived benefit to employees, prior to the introduction of the TGL, many enterprises were spending more on training than was required by the TGL.

Advice from ITABs

Employers surveyed had no knowledge regarding the role ITABs could play in their enterprise's training. Enterprises' human resource staff are considered more likely to have come into contact with ITABs than the employers surveyed. Private training providers were considered to be more successful in promoting themselves than the ITABs.

Operation of the training market

Employers do not consider all developments in the training market to be improvements. Employers consider competency-based training is inappropriate for the service industry.

To make training more effective, providers need to follow up outcomes. Providers are giving some students unrealistic expectations about the industry and their potential careers. Misinformation is an issue that employers want addressed. Making the range of training delivery options more easily accessible to the enterprise would improve the training market's operation.

Discussion

All stakeholders recognise there is a tendency towards demand-oriented training provision. Employers in the industry consider that providers are supplying the training that they demand. The ITAB believes the demand is identified by the employers, and this is then translated to the training providers who conduct training to supply the necessary skills. Misinformation remains a concern for stakeholders who perceive there have been inefficiencies introduced into the training market.

Employers in the industry are pro-active in the adoption of demand-oriented training through direct negotiation with training providers. Negotiations between employers and training providers cover issues including cost of training, methods and locations of delivery and expected outcomes from training.

Workers in the industry are perceived to be considerably under-credentialled because of the ability of persons to move through organisations based on their time of tenure. Employers emphasise skills and experience rather than formal qualifications. Employers' emphasis on skills means their demands for training can be readily provided by the market. Training providers are not restricted by government regulations when providing skills-based training.

Summary—Secretarial and administrative

Principal market orientation	–demand driven
Important considerations	–misinformation is considered to lead to supply inefficiencies
History of training	–limited history of formal qualifications (under-credentialled workforce)
Influential factors	–high levels of technological innovation –competition for training within industry and with other industries

Hairdressing

ITABs

Importance of skills acquisition by current employees

Hairdressing is part of the fashion industry—dynamic, with changing practices. It is considered very important for current employees to acquire new skills to ensure their skills remain up to date.

Training benefits both the enterprise and employee. Benefits from training include personal development, job security and the development of comparative advantage.

Companies releasing new products for the industry often supply product-related training to staff. Employers demand training that remains commercially competitive in price and has up-to-date training materials and methods. Remaining compliant with workplace regulations also requires constant training.

ITABs considered that smaller employers do not understand the importance of on-going training. It was commonly larger salons who undertook training for current employees. Those enterprises who provide most training are market leaders looking to maintain their competitive advantage.

'Drivers' of training in industry

The industry embraces training of all forms. The importance of training is reflected by its tradition in the industry. Traditional training methods determine ways in which staff is trained.

Product suppliers provide training associated with their products. Product-based training generally relates to application/use and sales techniques. Technical skills and product knowledge have become increasingly important in the industry. Remaining compliant with workplace regulations also requires constant training.

Effect of deregulation on training

Hairdressing has undergone significant changes in training practices following deregulation of the training market. Private training providers are perceived to have undercut public training providers. Private training providers have been able to compete effectively by reducing the quality of training provision and related services.

Following the introduction of private providers, many people in the industry no longer consider themselves as professionals. Deregulation is creating a mismatch between the skills available in the workforce and the demands of employers. More people are seen to be undertaking training in the industry. However, industry is not recognising those qualifications being attained through private training providers. Private training (one year) does not provide the equivalent skills as the traditional publicly provided apprenticeships.

Quality assurance effects on training

Like other industries, there are measures in place governing the development of curricula and courses to ensure that quality training is provided.

To some extent, quality assurance has been influential within the industry, because of the service provision and the employers increasingly reacting to customer expectations. Quality assurance has fitted into training within the industry via the process of curricula gaining accreditation. The impact on the ways in which training is undertaken has not been influenced by quality assurance processes.

There are small numbers of large private training providers who have taken steps to become quality accredited. It was considered the majority of smaller salons were not aware of quality assurance systems as they relate to training for the industry.

How employees commonly acquire vocational skills

Most entry-level training is gained through public training providers' apprenticeship training. Private training providers have begun full-time training, but these courses are not well supported by the industry.

Suppliers of hairdressing products and instruments provide significant amounts of product-specific training.

Employers regard experience as an important vocational skill. Learning does not stop following the completion of employees' apprenticeship requirements. Learning skills on the job is a common way in which many employees acquire up-to-date vocational skills.

Formal strategic planning

ITABs recognise they are not involved in the management or delivery of training. They see themselves as compilers of training needs for industry stakeholders.

ITABs undertake formal planning to compile the demands of industry stakeholders. In developing industry training plans, ITABs undertake considerable consultation with the industry. They conduct forums, send out questionnaires, talk with stakeholders, use ABS statistics and uncover anecdotal evidence to support the training plan objectives.

ITABs have developed a strategic plan for the industry. Goals of the plan include the development of minimum national competencies for employees in the industry, and the development of a uniform national training curriculum.

ITABs work to ensure the demands of enterprises across the industry are transferred through to training providers, and that these demands are expressed clearly to potential students.

Gaps in training available

There are no obvious gaps in the content of training for the industry. Skills acquired in courses are relevant to today's needs in the industry.

A potential gap relates to planning for future training. Little attention is paid to future course content and demands. Training delivery is an area in which gaps exist. To improve the efficiency of the market, training providers need to become more flexible and reactive to supplying courses tailored to meet demand. A minority of training providers is perceived by the ITABs to consider they know the demands of the industry better than their clients do. This minority of training providers offers only predetermined courses.

Impact of government regulation on skill levels

The occupation has been deregulated, and individuals over the age of 21 do not have to undergo formal training to practice in the industry. For individuals aged under 21, the occupation is a declared vocation and, as such, they must undergo formal training in order to practise. There is seen to be little impact on the level of skills for workers in the industry as a result of deregulation. Employers are biased by their learning experiences towards apprenticeships. The deregulation of requirements to practice in the industry has meant an increasing number of hairdressers did not consider themselves to be professionals, and this has lead to an overall reduction in the skill level of the industry.

Occupational health and safety regulations have had an effect on the practices of salons. There is an increased need for sterilisation of instruments, and training has been developed to educate employees regarding handling of products and chemicals used in treatments.

What is meant by the 'training market'?

The training market is related to consumer choice—choice in training content and mode of delivery and outcome. Consumers are anyone who wants access to training, including employers, employees and the public.

It is recognised that training providers need to be more flexible and reactive to demand when delivering training. ITABs understand their role in the training market is limited to the provision of information. They act to advise consumers what training products and options are available, and to promote the industry to the public as a career option.

It is acknowledged that not all enterprises in the industry would know of the information and advisory service offered by the ITABs. The effectiveness of information distribution to the public and employers was identified as being critical to the effective function of the training market.

Training providers

Information used in devising courses and subjects

Courses and subjects are not determined at the institute level—the origin of course development is the industry stakeholders. Stakeholders involved in the development of the curriculum documents include ITABs, employers and past graduates.

Industry experience of providers assists in the development of some subjects and courses. In developing subjects, enterprises' in-house training is considered, and providers influence course and module provision to suit Austudy accreditation—within the limits set by the industry training plan.

New technology affects the delivery of training more than the content of training. Demand for technology derives from stakeholders, and its implementation is limited by the budgetary constraints of the training providers.

Students are provided with options for course delivery, with structured, self-paced learning being a common alternative.

Evaluation/quantification of training benefits

Not all providers sought to evaluate or quantify the benefits accrued from their training. Those providers who did undertake evaluation targeted both individuals who had completed the courses and employers of the graduates.

There is a continuous improvement philosophy relating to training materials for, and content of, courses. In determining the quality of the courses to the individual, information from a percentage of graduates gaining employment was generally collected (not always accurately). Using questionnaires, providers ask students to evaluate their trainers, and evaluation also targeted employers. Employers' perception of training is attained through industry 'information evenings', direct liaison (telephone and personal visits) and questionnaire surveys.

Effects of deregulation

Private providers now train students in full-time, one-year courses. Public providers remain providers of primarily part-time (apprenticeship) training. The nature of training in hairdressing has changed.

The removal of a trainer's registration examination has led to a variation in standards of apprentices' skills. When training was deregulated, there was a rush of private training providers to service the industry. The view of public training providers is that government accreditation of private training providers is too lax: this perception is based on the conditions regarding the planning of training.

The effect of deregulation is perceived to have increased the extent of training. More people are being trained at a lower cost to the clients.

Formal strategic planning

The strategic plans for providers include objectives such as being flexible, providing training of high quality, and maintaining accreditation as a registered training provider. Key aspects of formal plans include adequately skilled staff, ensuring quality products and customer service, employing the latest technology, and formally evaluating teaching.

Providers' strategic plans do not dictate the content of training: providers recognise the need to be reactive and flexible to meet employers' demands.

Provision for special needs

Public and private providers allocate different resources to providing for students with special needs. Special-needs provision is a strength of public training providers. Private providers find it difficult to allocate the resources necessary to cater for special-needs students.

There are no targets or quotas for students from disadvantaged backgrounds because the selection of apprentices is industry driven. The types of special needs catered for by the training providers surveyed include rural and isolated students, students from NESB, and students with learning and literacy difficulties.

Special-needs provision ranges from the provision of personal counsellors and vocational preparation programs, to accessibility to referral services. Public and private training providers worked co-operatively to cater for the special needs of students.

Outlook for skills acquisition

Individual choice regarding where and how training is undertaken is becoming increasingly important. Changes will not be associated with actual skills; rather, with how they are attained. The emphasis is on training people to a better standard in a shorter time, and the year-long course is a step in this direction. Students are becoming increasingly responsible for their learning processes. Facilitating flexibility and specialised training programs is required by the industry. Partnerships and alliances between providers and individual employers (especially large employers) are likely to emerge, coinciding with workplace-specific courses being developed. The move toward competency-based training and industry assessment has resulted in a reduction of TAFE teaching staff. Private provision of training will continue to increase while private providers offer good service at a reasonable cost. Skill levels of individuals in the industry are predicted to increase as competition between providers continues, and the services industry continues to grow.

Specific impediments to training

Providers identify structural (time, effort and legislative) and financial (monetary and time) impediments to training. These impediments are felt by both providers and their clients (students and employers). An oversupply of qualified hairdressers exists, and this restricts demand for providers' services. Tendering for traineeship places is considered an impediment to the industry because it encourages providers to reduce service quality. To gain industry accreditation for courses and modules is time consuming and 'onerous'. Budgetary constraints, and the inability to properly fit out learning centres with up-to-date hardware are considered impediments. Employers appear unprepared to employ graduates from one-year courses (private providers) without wage compensation. Wage rates of public provider staff and starting salaries for graduates were considered restrictive to industry growth and training.

Impact of government regulation on courses and subjects

Government regulations regarding accreditation of modules and courses have created a generic product and, as a result, promoted competition among training providers who attempt to distinguish themselves from the competition. Non-accredited providers can offer courses that are less expensive, because the providers do not incur costs associated with acquiring accreditation. More non-accredited courses are being offered. Providers surveyed felt that if the requirement for apprentices to attend public provider training to receive government funds were abolished, apprentices would no longer attend. Legislation is perceived to be 'propping up' the public training sector. Occupational health and safety regulations have created 'artificial demand' for training.

What is meant by the 'training market'?

Training providers are the suppliers in the market. Training providers (public and private) compete against each other and the employers' in-house programs for clients. Everybody is a potential client, including other providers wanting to purchase intellectual property or sub-contract training. The operation of the training market was seen to depend on industry demand rather than provider supply. The role of the provider is to deliver training in a flexible and responsive (customised) manner. It was agreed not all providers are reactive to market demands, and attempt to dictate through supply. It is considered important to have both private and public providers supply the market—neither should have a monopoly. The training market is not perceived as being an open playing field with equality among providers. The government paying the wages of TAFE staff creates unequal competition between private and public providers. Despite talk of an open playing field, the market seems to be closing up—it is rather protectionist.

Effect of competitive pressure

There has been an increased level of adaptation to demand by training providers. The common perception was private providers are more responsive to industry training demands than are public providers. Public providers have reacted to competitive pressure by adapting accreditation requirements to favour public provider infrastructure and resources. Private training provision has not been fully accepted by the industry, with many employers not recognising the one-year training course, although the competitive pressure is somewhat alleviated by employers' attitudes. The increased number of private providers and associated cost reductions have coincided with an increased demand for training. Employers are experiencing the greatest benefits, with more flexible delivery strategies and reduced costs. The introduction of competency-based training and rolling starts for courses has resulted in a reduction of the number of training staff. Competition meant 'gaps' in the training market were filled by flexible delivery, workplace delivery and through changes in assessment practices. The quality of courses provided by different bodies remains varied, and does not appear to have been affected by competition, although those providers with poor quality are unlikely to remain commercially viable.

Employers

How employees commonly acquire vocational skills

The dominant form of skill acquisition is the apprenticeship. Most employers surveyed do not recognise the 12-month privately provided qualifications. Employers structure formal and informal training for employees in the workplace. Employees learn many of their skills while on the job. Product manufacturers and distributors also provide skills training. Cost and necessity (competitive and legislative) determine if employees undertake additional off-the-job training.

Evaluation/quantification of training benefits

Evaluation of benefits from training primarily involves verbal communication and demonstration of skills and knowledge attained. Senior staff from one employer attended training to evaluate while learning. In evaluating training verbally, both providers and participants are evaluated to cross-reference opinions—it was recognised individuals are able to bias evaluations. Demonstration of skills and knowledge was cited as a common means of evaluating benefits from training; it also assisted in the development of staff who attended training and were expected to act as mentors to other staff.

Reasons for training staff

Training is sanctioned on a needs basis. Legislation relating to the employment of apprentices regulates some training. Employees generally have a training plan developed to reflect their position within the enterprise. Cost and time impact on training provided, so courses that are 'economical' are favoured. Employers take advantage of refresher courses and master classes etc. The need for employees to maintain relevant skills is important in determining who receives training. Developments in equipment, methods and solutions, etc. are constantly monitored and assessed with a view to their adaptation through training. Planning for training is not always formally structured, but is constantly evaluated and needs based. All staff are expected to be multi-skilled and, although there is job specialisation, staff are expected to perform all skills. The level of training provided to employees is constrained by the level of expertise of the trainer, the cost of training, and the willingness of staff to participate.

Provision for special needs

Although not all employers required special-needs training, it was considered not enough provision is made for students with special needs. Competency-based training might be good for independent learners, but is not suited to slow learners or those with special needs. The system does not cater sufficiently for those with language difficulties. Generally speaking, the job requires able-bodied people and, consequently, there is little need for putting in place training requirements for individuals with special needs. The need for introducing special-needs training is negated by the fact that employers 'screen' employees: communication skills and a physically demanding workplace were cited as restrictions to workplace entry for special-needs individuals. Commercial viability and time restrictions were also cited by employers as reasons to why special-needs individuals are not commonly employed.

How participants for training are selected

Selection for training depends upon cost and commercial viability, regulatory compliance, employment awards and the individual. If courses are expensive, then training representatives are selected to attend with the intention of passing on this knowledge when they return to the workplace. Workplace safety determines training that is required; senior staff and those who show initiative (volunteering for attendance) are favoured to participate in this training. Employment plans are developed for all employees. Plans are reviewed every 12 months and act to guide involvement in training. Individuals' level of eagerness, confidence and personality are related to their position in the enterprise. The relationship determines what training they will receive. Employers indicated a preference to commit funds and time to train individuals who had previous training experience.

Impact of government regulation on skills

It should be made clear that when considering government regulations, employers believed there had been a relaxing of the regulations or a deregulation. In all other industries surveyed, the employers made comments on government regulation referring to the increased levels of regulation. Employers considered government regulations of the past ensured apprentices achieved a uniform level of competence in defined vocational skills. With (de)regulation, employers felt skill levels of workers were becoming increasingly variable. This variation was attributed to the range of training methods available to the industry. Government (de)regulation has allowed private providers to enter the training market and this, in turn, has resulted in the training of individuals who are qualified but inappropriately skilled to work as hairdressers. Initiatives such as the TGL have done little to increase skill levels in the industry. Occupational health and safety regulations should be developed with closer liaison with industry. The skills required to remain compliant with regulations do not relate to those expected by employers. Regulations favour large employers who are more capable, both financially and physically, of providing training. This puts employees of small employers at a disadvantage when related to their training.

Advice from ITABs

Employers did not contact ITABs when gathering information relating to training and none had been approached with information by ITABs. TAFE was considered to play the greatest role in ensuring employers knew of training services and options available. Employers sought more interactions—offering to assist in the development of the industry training curriculum.

Operation of the training market

Private providers' training does not reflect the qualification they accredit upon completion of their courses. The market should be 'opened', allowing private providers to train apprentices. If employers were able to employ private provider (one-year) graduates as equivalents of third-year TAFE apprentices, more hairdressers would gain employment. Training standards must be more consistent: providers aren't working together and training varies from one provider to the next. More information-sharing between employers and providers would increase efficiency. The ability to train in house was seen to be advantageous and employer/individual choice in training provision should be further promoted. Current staff to apprenticeship ratios are considered restrictive and, if removed, would probably result in increased numbers of apprenticeships being offered.

Discussion

Stakeholders surveyed in the industry had various views on the development of the training market. The stakeholders from whom the most issues were derived were the employers. The industry has an extensive tradition of training and formal qualifications.

The industry has recently undergone a deregulation, allowing an influx of private training providers to service the industry. The deregulation was discussed extensively under the subject of government regulation of training. It has not been readily accepted by the employers, and is perceived to have created a mismatch between the qualifications attained, and those demanded by the employers.

Another influential factor that has shaped the training market for hairdressing has been the level of technological and product development of recent years. Product suppliers and distributors have been significant in the provision of training to the industry.

Employers in the industry are satisfied with the content of the training provided, but require choice in the way it is delivered.

Summary—Hairdressing

Principal market orientation	–supply driven
Important considerations	–government regulation and information dissemination
History of training	–long history of public training provision and qualifications
Influential factors	–government deregulation of training –product and technique development have driven training

Electronics and electrical engineering

ITABs

Importance of skills acquisition by current employees

Entry-level training is over emphasised by training providers. Greater effort should be placed on developing at higher skill levels the ability to become multi-skilled in the workplace. The ITAB attempts to focus skill development for the industry towards productivity gains and comparative advantage development.

'Drivers' of training in industry

The growth of multi-skilling is restricted by industry traditions and licensing regulations—there are significant issues relating to demarcation. The safety requirements have meant that the traditional method of training—'tried and true'—remains the principal method of skill acquisition. New modes of training have been adopted within the industry, but tend to be integrated into traditional apprenticeship training.

Effect of deregulation on training

Deregulation has had little effect on training in industry because of the importance employers place on traditional training practices. Employers appear reluctant to accept that different training techniques (e.g. on the job) will produce the same quality of worker as traditional apprenticeships.

Quality assurance effects on training

Employers and providers are making efforts to incorporate quality assurance into training. Standard practice is considered to be very important by stakeholders in the industry, as shown by employers' preference for traditional training practices.

How employees commonly acquire vocational skills

Employees acquire the majority of skills through apprenticeships undertaken with public training providers. The ITAB has been conducting professional development sessions for workplace assessors, although there is resistance from employers feeling they are being forced into this mode of skill acquisition. It is expected vocational skills be acquired before employees enter the workplace, although some workplace training occurs when new technology is introduced.

Formal strategic planning

An industry training plan was produced in consultation with industry. The plan was developed to satisfy requirements to attain funding and provide employees with the skills required to work safely and effectively in the industry. More focus should be placed on industry developing the plan and less focus on ensuring the plan satisfies government requirements.

Gaps in training available

Gaps in training exist because of restrictive planning and development methods and commercial viability considerations of providers. Planning methodology for the industry training plan restricts participation by small enterprises. The lack of involvement with the planning results in less consideration being paid to small enterprise concerns, and these enterprises are less likely as a result to utilise provider services. Regional and isolated employers suffer from limited training provision (no matter what the size of the enterprise) because it is generally not commercially viable for providers to service these locations.

Impact of government regulation on skill levels

Employers are required under the Electricity Act to comply with licensing regulations. The Act stipulates enterprises can only employ licensed or accredited personnel. Licensing regulations influence 'Australian Standards', and result in training being provided at a uniform level. Standard training is especially important with regards to workplace safety and quality of service issues for tradespeople.

What is meant by the 'training market'?

The training market ensures skill requirements are attained by employees in the industry. Demand and supply issues relate to the size and location of the employers. Supply is restricted by traditional practices in the industry and the commercial viability of providers. Demand, especially that of small enterprises, is under-represented in the market, but has been influential in the development of some training initiatives. The development of an industry training plan is designed to reflect demand, including demand from legislative requirements and employers. There was no direct reference made to the training market, although schemes were recognised as being established in reaction to perceptions of market failures. The demand side of the market was expressed through comments regarding the development of a training plan, in which the primary employers—small enterprises—required greater representation.

Training providers

Information used in devising courses and subjects

Information used in developing courses and subjects includes demand from employers, legislative requirements, and individuals. Equity and equal access are considered in course development, as providers hope to provide CSOs. Commercial viability is also important: cost-benefit analyses consider the provider's expertise and resources, and predicted income streams from courses. The national training curriculum developed by the ITAB is the key document used in directing development of courses and subjects. It is expected, by using the national curriculum as a guide, that courses and subjects will fulfil industry demand.

Evaluation/quantification of training benefits

Evaluation of training and its benefits is undertaken by all providers included in the case studies. A process for evaluating training includes using questionnaires and face-to-face interviews to collect quantitative and qualitative data. Results from the data collection are used to ensure training was of the quality expected, and to refine courses for future clients. Parties involved in the evaluation of training include students, employers and trainers. Including the opinions of all groups results in an unbiased view of the training provided.

Effects of deregulation

The most notable effect of training market deregulation experienced by providers has been an increased level of competition between providers looking to attract students. Competition between providers is based on providers of distinct training attracting students to their vocation. Providers see themselves as complementary rather than competitive. Deregulation was considered to have had little effect on the courses and subjects, or on the ways courses are taught.

Formal strategic planning

Providers have not seen a need or requirement to develop strategic plans for their institutions. There is a uniform national curriculum that was approved by the Civil Aviation and Safety Authority in July 1995. This curriculum details the plans for training in the industry and, as such, there is no need for an institutionally based strategic plan.

Provision for special needs

Safety and industry regulations mean there is little room for flexibility in the training provided. There has been no accommodation made for students with special needs. However, there has been a stable, low level of female students entering training in the industry, a non-traditional area of employment.

Outlook for skills acquisition

Post-trade qualifications are perceived to be a growth area for training, as upgrading qualifications becomes essential. Providers were unhappy with both the inflexibility and the results from competency-based training. Providers are introducing short courses while retaining traditional forms of teaching. Specialisation and niche marketing/provision will develop amongst training providers, so there will not be multiple providers offering the same course. The perception is that traineeships will become the dominant form of training as they address employers' requirements for their workers.

Specific impediments to training

Impediments to training were considered in two contexts: cost impediments and knowledge impediments. Considering cost, because capital cost of training provision is high, competition for course provision will be limited. Knowledge impediments were considered the most restrictive to training. Some employers consider training in the way others used to consider safety: as an issue separate from the workplace. These employers cling to traditional ideas that work is work, and that training is undertaken at TAFE. Employers' lack of knowledge of the award conditions under which they employ people also limits demand for courses.

Impact of government regulation on courses and subjects

A national curriculum for training was adopted in 1995. The curriculum determines modules, methods of teaching, and the skills and knowledge that are taught. Because of the safety concerns within the industry, the need for regulations is accepted. Government funding and accreditation requirements determine those courses and modules that providers are viably able to offer, and this means industry training is not always focussed on employer demand. Anomalies (not specified) in training and skills expectations between licensing and an apprenticeship is a concern for providers.

What is meant by the 'training market'?

The concept of a training market is expressed in the development of courses that are derived partly from tradition and partly by demand. Demand derives from employers within the industry, and from individuals. Providers considered themselves to be reactive to the needs of the industry, adapting to employer demands and changes to the national curriculum. The market concept was also considered in the context of the percentage of total students undergoing training who were training with a particular provider.

Effect of competitive pressure

Currently, providers have market shares, but the market is dominated by public provision through TAFE. Private providers offer courses complementary to TAFE, not in competition—this would not be commercially viable. Equity considerations and related subsidies further enhance TAFE's position as the dominant training provider. Private providers attempt to 'fill the gaps' TAFE curricula leave. Low-level competition in training for business equipment maintenance, especially introductory courses, is expected.

Employers

How employees commonly acquire vocational skills

Employers surveyed used apprenticeships, in-house training and external training providers to allow employees to acquire vocational skills. Apprentices amongst providers tended to have training managers or senior staff members for guidance in their training. In-house training was associated with the introduction of new technology and new products and procedures for the employer. Training is provided in conjunction with suppliers of technology and equipment. In-house training may be classroom based or on-the-job tuition, depending on the tasks and seniority of the employee. Supervisor-level training provided by one employer included subjects such as workplace-risk assessment. The expertise of current staff is often used to teach employees skills and knowledge essential for the adoption of new technology or techniques. With the exception of apprentices, external training tends to be used for management-level staff.

Evaluation/quantification of training benefits

Employers surveyed recognised that unless the 'right person' was trained, returns to investment would be negligible. 'Training course addiction' was cited as a situation where participants learnt nothing of value to the employer. Not all employers surveyed undertook formal evaluation of in-house or apprentice training. Of those employers who did undertake evaluation of training, feedback was attained from those employees who had been involved in training. Feedback sought relevance of training to workplace and quality of training provided (trainer and equipment). The primary focus of the feedback remained on whether increased benefits could have been gained from training.

Reasons for training staff

Legal obligations dictate workplace training (e.g. workplace-safety courses). Business plans developed by employers surveyed consider training as it relates to the introduction of new technology and production processes. Individual monitoring of skill levels by managers determines what training is provided and to whom. When 'skills gaps' are identified, people are trained—this is to ensure enterprises are capable of adapting to different staffing levels, and that the knowledge of the workforce is sufficient to ensure effective operation of the enterprise. Training is considered an incentive offered to retain the current workforce. Other considerations cited by employers when training staff include willingness to participate in training and proven ability of the employee.

Provision for special needs

Special-needs training for employers related to gender (women), NESB and those with lower levels of learning ability. The employers act as gatekeepers to restrict access of those deemed unsuitable (e.g. low levels of English and people with physical disabilities) to the industry. Employers ensure training, especially in house, is provided relative to the abilities of workers—low-skilled workers receive less theoretical training than do management-level workers.

How participants for training are selected

Selection for training is based on two considerations: personal aptitude of workers and strategic planning for employers. Individuals with the 'right' aptitude and attitude and with an interest in improving themselves are selected for inclusion in apprenticeship training. There is a preference for training at the supervisory level, where a special training regime exists. Employers' business plans identify priorities for training effort. Employees working in areas identified in the plans receive training. Consideration of return-on-training investment also determines who should attend training. In addition, job status determines which employees receive training, with staff at higher levels considered for greater amounts of extra training.

Impact of government regulation on skills

The principal means by which government regulation impacts on skills relate to health and safety in the workplace. Legal obligations relating to worker and public safety ensure some training is undertaken to maintain worker knowledge. Production standards and quality assurance related to licensing also impact on the skill levels of employees, ensuring minimum standards of service and work undertaken.

Advice from ITABs

There has only been limited contact with the ITAB. The involvement employers have had with the ITAB in training projects was thought not to be very useful. It was concluded that information available regarding services ITABs can provide to employers was not sufficient.

Operation of the training market

Employers surveyed identified market inefficiencies relating to products and access to training. Employers considered timing of training to be important for apprentices. Projects and skills learnt in training do not always coincide with responsibilities in the workplace. There is a need for greater flexibility in course provision for apprentices, to ensure that skills learnt are those required at the time. Employers considered the current trend towards specialisation of training to be inappropriate. If providers offered 'appropriate' training, this would reflect a loss of competitive edge for employers. Employers agreed an increase in skill/competency requirements for apprenticeships would make the qualification more suited to employers. When considering access to training, employers believed the training market favoured urban-based employers, ignoring rural employer demands.

Discussion

The electronics and electrical engineering industry was the most regulated of the four industries included in the study. Employees in the industry are required to be qualified and licensed to operate. This legal necessity has limited both the development of training and education for employees in the industry, and the adoption of new and innovative teaching methods and techniques. The licensing requirement that remains in the industry also serves to exclude various groups of individuals from the industry, including those from NESB and those with physical disabilities. Women (non-traditional employees) are the only special-needs group targeted by employers for participation in the industry.

The same training methods and skills that have been learnt for the past 10–20 years are still used to determine the competencies of those people wanting to become qualified in the industry.

In addition to the legislative restrictions, the amount of capital required to provide training to a suitable level is a difficult hurdle to overcome for most of those training providers who would compete with the current public training providers.

As a result of the number of characteristics outlined above, the market for VET relating to electronics and electrical engineering is principally supply driven. Training for the industry is characterised by entry-level apprenticeships and traditional teaching practices for trade-based industries. Training is being increasingly provided by the suppliers of new technology and equipment used in the workplace. The level of supplier-provided training reinforces the supply orientation of the training and education in the industry.

Summary—Electronics and electrical engineering

Principal market orientation	–supply driven
Important considerations	–qualifications are necessary to operate in industry
History of training	–long history of training associated with licensing requirements
Influential factors	–capital requirements for training are restrictive to competition –employers consider licensing requirements for employees are restrictive to special-needs individuals

Supply and demand in VET markets

The following chapter considers the perspectives presented in the past four chapters. The aim of this chapter is to provide answers to four questions relating to the objectives of the demand-oriented training market. Questions are answered using responses from industries and stakeholders presented in the previous four chapters. Each section relating to a question concludes with a general discussion of the subject.

What are the common understandings?

To what extent are understandings about supply and demand within the training market held in common among the key stakeholders in particular industries?

Much of the report has focussed on identifying the influences of supply and demand in the training market. If the case studies are to provide meaningful results, a clear understanding of what is understood by stakeholders regarding supply and demand must be presented. Perceptions of supply and demand can be represented in two ways: by industry or by stakeholder group—both means of comparison are presented here.

Industry perspectives

Tourism and hospitality

The ITAB and training providers consider that VET is traded in a manner similar to other products. Stakeholders accept price is the rationale for training-related decisions.

All stakeholders surveyed agree that information dissemination and knowledge of available training products are important to ensure that training markets operate effectively.

There is contention among stakeholders regarding the level of market intervention influencing the training market. ITABs considered the training market to be 'free', while employers considered it supply dictated or 'regulated'. Providers perceived that demand influenced training provided by the market.

Hairdressing

All stakeholders agree supply determines what skills are learnt in training.

Providers and employers considered government intervention to be influential over supply, creating a supply-led or regulated training market.

ITABs and providers recognise providers and their products must be developed with demand as the primary consideration.

ITABs and employers consider information dissemination and training knowledge to be important for the operation of the training market.

Electronics and electrical engineering

ITABs and providers consider reaction to price, profit and commercial viability to be influential in shaping training. Employers considered profit to be the primary motivation when considering the spatial distribution of training.

Providers and employers believe that tradition shapes training markets and their products, and the training market is supply driven.

ITABs and providers perceive that demand derives from employers.

Secretarial and administrative services

All stakeholders recognise a tendency towards demand-oriented training provision. Employers consider providers are supplying training that is demanded. The ITABs believe demand identifies the skills required and providers train to supply those skills.

Employers believe despite demand being fulfilled, there are some adverse supply effects in the market. These relate to misinforming clients regarding potential income and career prospects.

ITABs and providers identified public, private and in-house training as the alternative supply mechanisms.

Summary of industry perception

Industry	Perception of market influence
Tourism and hospitality	CONTENTIOUS ❖ ITAB, provider demand driven ❖ employers, supply driven
Secretarial and administrative services	DEMAND DRIVEN
Hairdressing	SUPPLY DRIVEN
Electronics and electrical engineering	SUPPLY DRIVEN

Industries have diverse opinions and perspectives on the concepts of supply and demand as they relate to the training market. The history of training, and the extent to which contemporary training techniques and practices have been adopted, appear to influence the extent of intra-industry consensus among stakeholders. Those industries with a history or tradition of supply-led training (hairdressing, and electronics and electrical engineering) have a greater consensus among stakeholders regarding their understanding of supply and demand. The opposite is also true: industries with a tradition of demand-led training (tourism and hospitality, and secretarial and administrative services) have little consensus regarding supply and demand definitions among industry stakeholders.

Stakeholder perspectives

ITABs

ITABs tended to have the most diverse responses regarding their understanding of supply and demand in the training market. Depending upon the industry which they represent, responses can vary from demand-based markets (hospitality) to supply-based (secretarial and administrative services). All ITABs recognise that the inclusion of employers in the development of industry training plans is representative of incorporating demand influences into training.

Training providers

Training providers in all industries consider commercial viability to be directly related to demand. To remain commercially viable demand must determine, or at least influence, the products and training provided.

Hairdressing and electronics and electrical engineering training providers recognise the influence tradition and supply effects have on training available to the industry. Training providers from tourism and hospitality and secretarial and administrative services appeared reactive to demand, indicating their training did not always result in qualifications being attained by participants. Of the four industries surveyed, these two have the least tradition in training practice—providers from these industries also perceived the training market to be like other 'price driven' markets for products and services.

Employers

Employers have a common perception that supply dictates the market for training, and results in either demand being unmet or oversupply of skills. Employers in the secretarial and administrative services industry responded as being most satisfied with providers' supply of training. The same employers responded that misinformation in the supply of training sometimes resulted in employees with unrealistic career and wage expectations.

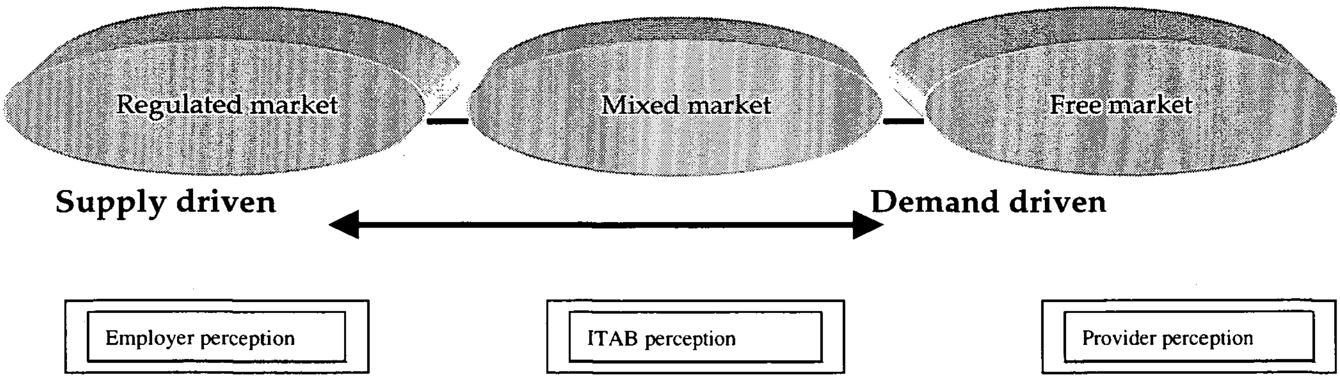
Tourism and hospitality and hairdressing employers considered information distribution to be an important factor for increasing the 'responsiveness' of markets. Calls for reduced direct intervention in the training market by government also came from these employers. Training subsidies paid to employers were suggested as a way of increasing the influence of demand.

Electronics and electrical engineering employers recognised that supply was restricted spatially.

Summary of stakeholders' perceptions

Distinctive stakeholder perceptions emerged. Stakeholder perceptions are presented in the market freedom diagram below.

Degree of VET market freedom



It is unfortunate to see that employers and training providers (clients and providers) have the most divergent impression of the effects of supply and demand on the training market. ITABs appear as the balancing stakeholder between the opposing views of the employers and providers.

Conclusions

Whether considered by industry or stakeholder, there is a common understanding of the concepts of supply and demand.

One of the clearest trends in perception of the training market is that ITABs and training providers believe training is provided effectively, while employers believe there are deficiencies remaining in the system of skills acquisition. Inefficiencies in the training market stem from lack of information, government intervention and tenure in training provision. Lack of information relates to training options and potential results from training. Government intervention includes labour market programs and subsidies paid to public training providers; and industry tenure refers to the inability of training providers to adapt to changing employment trends such as part-time and casual employment. Other failures recognised included the inability of public training providers to adapt to the rate of technological change and workplace practices.

There is no consensus among stakeholders as to whether the training market is supply or demand driven. There is common recognition that supply previously determined training effort in all industries (Carmichael 1992; Allen Consulting Group 1994a; Curtain 1995); however, all industries are promoting efforts to increase the influence of demand. The perception of the extent to which demand (the employer) was involved in the compilation of training provision ranged from extensive involvement, a view of the ITABs, through to exclusion, a view common to employers. Many employers are not involved in the compilation of industry plans. ITABs consider they include a representative sample of enterprises in the compilation of industry training plans. Enterprises involved are commonly large enterprises, not representative of the majority of Australian enterprises, but most able to spare resources. This misrepresentation in planning may explain, to some extent, why employers tended to feel the training system did not reflect their demands. Some exceptions to these perceptions existed. Employers in the secretarial and administrative service industry believe the training market perfectly suited their needs. Employers in this industry were somewhat unusual among those surveyed—negotiating directly with training providers regarding conditions for training. There remained significant potential for employers to be more extensively involved in the provision of training as none interviewed from this industry employed any apprentices. Rather than contracting out training responsibilities, it is also possible that employers from the industry could undertake more training provision.

Providers commented that the training market remained partly under the control of government regulations, particularly relating to Austudy and other accreditation requirements. Those industries with traditions of training tended to express these views most strongly. Regulatory and licensing requirements for tradespeople in the electronics and electrical engineering industry were cited as being restrictive to innovation in training methods and delivery. Employers with apprentices tended to perceive the same government control mechanisms as those cited by training providers as being relevant to training.

What can be documented?

What can be documented regarding the ways in which stakeholders utilise their understanding of the training market and how it operates?

Having considered supply and demand issues extensively throughout the report, the aim of this section is to show how stakeholders have reacted to their understanding of the training market.

The training market represents a forum of diverse opportunities for the different stakeholders and industries. What an entity hopes to gain from the training market depends which stakeholder group they represent, and the operation of the training market for their industry. ITABs see the training market as a tool to achieve policy objectives and industry development. Providers see the training market as a means of making profits selling expertise and providing skills. Employers, and other clients, consider the market as a place in which skills required are provided at a cost. The power of each of the stakeholder groups, and the dynamics of their interaction, shape the training market and its outputs as we see them today. The division of the stakeholders' objectives into demand and supply influences has been covered comprehensively throughout this report; however, it is reiterated by their perceptions of the roles played by the market.

Industry perspective

It has been shown in answering the previous question that there are considerable differences in opinion regarding the influence of the training market in each of the industries. In each of the industries surveyed, the employers have been the most influential of the stakeholders in determining the results of output from the VET markets. The influence of employers in affecting the outcomes and operation of the training market reflects their role as the principal clients of VET.

Tourism and hospitality

The tourism and hospitality industry includes a wide range of occupations, skills and enterprises. The range of training requirements varies considerably, both within and between enterprises. The ways in which stakeholders have reacted depends upon the size of the enterprise, the skills required and the level of technology involved in the training.

Employers are the main influence in the shaping of the training market for the industry. The industry has a highly 'casualised' workforce, which has led to unique training requirements. Employers have communicated their special training needs to training providers. Special training needs especially relate to the time at which training is provided, and the need to train on a skills basis rather than qualifications. Employers have also developed in-house training facilities and programs to cope with the range of training required in the industry. The reactive nature of the industry, with its just-in-time training philosophy, has created a need for training providers to be flexible and demand oriented if they are to remain viable.

Direct negotiation with training providers regarding expected outcomes from training and education in addition to the cost of delivery has been a significant factor in shaping the new training market. Employers, by taking an increasingly active role in the training market, are shaping it to reflect more closely their demands.

Hairdressing

Hairdressing has been an industry that has experienced very different reactions from the stakeholders with regard to the operation of the training market. The employers have shown that recent changes in the operation of the training market and the resultant outputs have not been fully accepted.

Training providers in the industry have reacted to the changes in government regulations relaxing restrictions on private training provision in the industry. There has been an influx of private providers servicing the industry that has created an oversupply of persons with qualifications not required by industry.

Employers consider their role in the training market as that of a client. Employers have tended not to employ persons who have gained qualifications from private training providers, claiming their qualifications are inferior.

The industry is open to changes in the content of delivery, but is more reluctant to accept changes to the provision of training not introduced with the assistance of the employers. Traditional methods have a significant influence on the ways in which training is delivered, but there have been new modes of delivery and changes in emphasis readily accepted by the employers and training providers for the industry.

Electronics and electrical engineering

Employers in the industry recognise the importance that formal qualifications hold for legal reasons. The extent of informal training in the industry is minimal, and only occurs at higher levels once individuals have completed basic apprenticeship training.

Training for the industry is principally supply driven, by a history of training and government regulations requiring licensing for employees in the industry. Employers are of the opinion that those skills and qualifications that have served them well in the industry are the same ones they expect their apprentices and trainees to receive in training. The licensing requirements for the industry reinforce this notion of skills and qualifications continuation in line with historical practice.

The size of businesses is another contributing factor to the inability of employers to influence training in the industry to suit the needs of their individual enterprises.

Secretarial and administrative services

Of all the industries included in the research, the secretarial and administrative services were the most efficient users of the options and freedom that demand-oriented training and education markets provided. Employers in the industry consider qualifications and credentials are somewhat irrelevant to their enterprises—skills are held in higher esteem. The training market serves to provide stop-gaps for employers seeking specifically skilled employees.

Training providers servicing the industry have long been a mix of public and private training providers. Secretarial colleges have provided vocational training for significant numbers of people working in the industry. The history of required skills for the industry, and the high cost of maintaining up-to-date software and training facilities, have led training providers to be supply oriented in their training provision.

The adoption of workplace-based training is being encouraged to overcome this restriction to training. Employers' in-house training efforts are not well documented, but are perceived to be a significant means of skill acquisition for employees.

The ITABs are promoting the industry to those people who already have tertiary qualifications but who seek a vocational qualification. Promotion of the industry is undertaken because of the perception that the industry competes for students with other industries and tertiary training providers. The ITABs consider that the more people with qualifications applicable to their industry, the better.

Stakeholder perspectives

Having presented the reactions of the four industries above, the perspectives of the stakeholders surveyed are presented. Where possible, similarities and differences in the perception of the stakeholders will be explained with reference to the industries they represent.

ITABs

ITABs have adapted to the training market and reactions of stakeholders involved by:

- including industry interest groups and employers in the development of industry training plans
- attempting to disseminate information to other stakeholders and others with potential for involvement in the market
- promoting alternative methods and types of training in line with industry policy objectives
- changing/influencing training curriculum and format regarding skills learnt and knowledge gained
- lobbying for removal of regulatory barriers to training for their industry

Training providers

Training providers have been shown to consider commercial viability as an important influence in decisions made regarding the training market. Providers have reacted to the training market by:

- allowing clients to influence training by adopting adaptable delivery strategies and course content to suit learning needs and facilities of individual clients. This strategy includes on-the-job training and school-based programs emerging as common modes of training delivery

- marketing themselves with various forms of promotional materials to capture niches of the training market (collaboration among providers was cited), consequently contributing to increased information dissemination regarding training
- providing quality-assured training to ensure the client understands expectations from training
- providing accredited training to ensure relevance to industry standards is maintained
- gaining feedback from clients as to effectiveness and relevance of training to industry and clients
- providing data to the national data collection for information dissemination and the ability to develop reactive policy
- selling curricula to other training providers, thereby recognising the commercial value of intellectual property related to training

Employers

Employers have attempted to utilise their understanding of the operation of the training market and the objectives of other stakeholders by:

- undertaking formal evaluation of the benefits and effects of training, especially those who use private training providers
- lobbying for involvement in the compilation of industry training plans compiled by the ITABs
- developing in-house training facilities and expertise to supply what cannot be provided externally
- undertaking direct negotiation with providers regarding cost/content prior to training
- not holding all qualifications in the same esteem, especially those from private and public providers
- employing both public and private providers, although private providers (considered more expensive) are commonly used only for management-level training

Conclusions

Cost of training, esteem in which qualifications are held and the ability of providers to deliver flexible customised training all affect the operation of the training market and its outputs. The ability of stakeholders to influence these factors varies both within and across industries.

As outlined at the beginning of this section, the training market represents a forum of diverse opportunities for all stakeholders. Information is considered by all stakeholders to be an essential element for ensuring an effectively operating training market. All stakeholders make concerted efforts to influence demand within the market. Peoples (1998, p.201) suggested we have 'an education and training (VET) system designed by businesses to meet narrow economic objectives and run along clinically commercial lines'.

Do the results from the case studies confirm this view? It would appear not. Although the language and philosophy of demand-driven training markets providing for specific needs of industry is preached, stakeholders portray a very different perspective.

ITABs act as mediators and information distributors. They ensure providers and employers consider the long-term viability of the industry and its employees. Through the process of developing an industry training plan, ITABs ensure no single employer can influence unfairly the direction of training in the industry. The inclusion of employers in the compilation of the plan ensures demand influences are considered and incorporated into industry development objectives.

The ITABs act as mediators between the employers and training providers, working to establish a training market from which individuals and the industry benefit as a whole. The ITABs use their understanding of training markets and the stakeholders to justify and concrete their position and role in the training industry. Given the conflict of objectives identified between the training providers and employers, it would appear necessary to have a mediating influence in the form of the independent ITABs.

Providers use their established position to dictate to employers and individuals using government regulations, traditional industry practices, collaboration amongst providers, and training infrastructure restrictions to provide only profitable courses. Viability is the primary aim of providers (viability is commonly interchangeable with commercial viability), and there are many 'excuses' put forward as to why they are unable to offer a wider range of courses to meet demands from potential clients. Courses offered are not always determined by the demands of employers—private students are also a common target for providers and can be profitable clients under full fee-paying conditions. Government subsidies and grants are paid to some trainers of special-needs clients, and those training equity and disadvantaged clients. The special funds are used by government to manipulate the providers into catering for equity, an issue investigated further in the third section of this chapter.

Employers attempt to train within the constraints of commercial viability and training offered. Through direct negotiation with providers, they customise training and ensure funds are not spent on training irrelevant to their enterprise. Employers have realised training providers face commercial constraints and have left some gaps in the training market. Employers who utilise the training market for skills acquisition are better able than those who rely on it for qualifications and licensing to influence the operation of the market as it applies to their enterprise. Employers have reacted to the realisation that providers fail to meet their needs and have developed in-house training facilities. The training provided by employers is that which cannot be provided either on a commercial basis, or to a standard required by the employer. The role of providers in the training market for various skills has been reduced—especially gaming—where facilities, employment conditions and expertise distribution lend themselves to in-house training provision. The size of the employer appears to influence their ability to exert market force. Those employers with the greatest numbers of staff, especially in tourism and hospitality and secretarial and administrative services, were best able to exert market force. One case was highlighted in the tourism and hospitality industry where industry expertise and facilities meant the employer was able to provide training in the most cost-effective manner themselves. Industry 'know how' and related investment in facilities useful for training led the employer to establish in-house training facilities.

All stakeholders put a lot of effort into influencing demand to produce outcomes in line with their expectations from the market—expectations vary from cheaper training for employers, to more profitable training for the providers. Stakeholders are by no measure equally successful at exerting their influence. It appears evident that providers exert the greatest amount of influence over training products and market direction. From the observations presented above, it can be concluded that Peoples' (1998) observation of training complying with narrow objectives of businesses and commercial lines is supported. All stakeholders act to minimise costs and maximise efficiency of training, albeit in different ways. Employers from the least regulated industries appear to be most successful in shaping the training market to suit their needs.

How do the factors interact?

How do the factors influencing supply and demand interact to shape the nature and operation of the VET market?

It was highlighted in the conclusion to the previous section that commercial interests are the principal 'drivers' of the training market, and the basis for decision-making by stakeholders. What type of training market has resulted from the emergence of this commercial focus? It would appear what has emerged is a 'quasi-market'—one controlled by neither supply nor demand, but influenced by both.

The training markets are different depending upon which industry one considers: an examination of the training market by industry is presented below. It should be noted that markets differ across States and Territories, regions and industries. An explanation of these variations is beyond the scope of this study. The following are the general characteristics representative of the training market as related to the industries surveyed:

- there are many clients, both employers and individuals, expressing demands for a diverse range of training
- various providers (public and private) specialise in the provision of training
- market imperfections exist, especially relating to information dissemination, and government intervention

Government intervention principally introduces a supply-side bias, although there have been proposals to ensure that government objectives from the training market are achieved by using demand-side tools such as user buys and other client voucher systems.

The extent to which supply and demand influences shape the training market varies from one industry to the next. Factors such as tradition of training practices, levels of technological innovation, workplace practices, and the relative size (economic) of stakeholders affect the 'shape' of the market and the training products available within it.

The factors influencing the nature and shape of the training market can be divided roughly into two groups: structural (time, effort, historical and legislative), and financial (monetary and opportunity costs). Innovative practices and products developed in one industry are commonly transferred throughout the entire training market.

Throughout the report, supply and demand influences and effects have been the focus of analysis. The table below highlights the supply and demand effects as they have influenced the shape of the training markets for those industries surveyed.

Demand and supply effects on training provision

Demand effects	Supply effects
–Increased liaison between employers and training providers	–Provision of training in remote and regional locations
–Development of flexible delivery techniques	–Inclusion of equity/disadvantaged groups in training
–Non-award/qualification training based on accredited training developed	–Dictated delivery by location and infrastructure (infrastructure, tenure and licensing requirements for employees)
–In-house training facilities developed to fill market 'gaps'	–Reduced costs of training with increased competition in training market
–Quality-assured training	–Increased marketing of training providers and training products available

Given the rhetoric of market mechanisms portraying demand and supply-based policies as diametrically opposite, one might expect the two policies to be conflicting in their attempts to influence the market. This is not the case, as will be highlighted in an analysis of the industries surveyed. Stakeholders consider demand influences have increased the diversity and reactivity of the training market and the products within it. Supply-side effects, especially as they relate to government intervention (artificial demand), have had positive effects within the training market. These initiatives have increased the diversity and location of training clients.

Not all supply effects have been worked in hand with demand influences to increase the efficiency of the market. Some supply-side influences have limited the reactivity of training providers and the flexibility of the training market. Such influences include the legacy of previous decisions that have led to infrastructure and tenure being used as levers by providers in negotiations concerning training products and services. Locations of public (TAFE) infrastructure are often inappropriate for modern training practices, and parochial attitudes of local populations and industries serve to exacerbate the problem. This issue is important because private providers often complain that public providers have unfair competitive advantages associated with the availability of large-scale infrastructure. When considered in this light, having significant infrastructure can be considered to limit providers' ability to react to the market.

The relative influence of these supply and demand factors has shaped the training market—the market remains principally based on demand-side considerations, but is clearly manipulated by supply-side influences. Distortions introduced into the training market by government intervention have caused a shift in emphasis by some training providers, from commercial viability to compliance.

The most important result of the commercial focus of the training market is likely to have been the introduction of increased numbers of training providers, principally privately funded. The increased numbers of providers vying for market space has resulted in increased competition and reduced costs to clients. Some employers and ITABs consider the reduction in price of training provision has been accompanied by a reduction in the quality of training. The market has been marginalised in that competition has made the market unviable for any providers. Some groups of providers are becoming organised in co-operation to reduce the cost of delivery and overcome the problem of viability.

Industry perspectives

In the following section, examination of the industries involved in the study and the important demand and supply influences highlights the diversity of factors that affect the shape and nature of the training market.

Tourism and hospitality

Small businesses dominate the industry, and commonly complain about the extent of their involvement in developing the training priorities for the industry. Non-traditional employment conditions are prevalent, with significant proportions of the labour force being employed under part-time and casual conditions.

Employers in tourism and hospitality have been exposed to training issues with a limited history of training, principally related to cooking apprenticeships. Training in the industry has an on-the-job focus. Little advantage is given to potential employees who have undertaken training prior to seeking work in the industry. Personal characteristics rather than qualifications are considered important to be successful.

Some specialised skills and facilities are required to work in and train for the industry, especially in the fields of gaming and cooking. The existence of specialised skills and occupations also has its downside, with high levels of government regulations affecting employees and employers in the industry.

Despite the established mechanisms for training provision, tourism and hospitality has proven among those surveyed to be an innovative industry for establishing new training practices and methods. The diversity of employment options has acted as a necessitating factor in the industry adopting new training practices such as on-the-job and competency-based training.

Hairdressing

The industry has a history of training that is based on an apprenticeship system. The industry is dominated by small business enterprises that have relatively small labour forces.

The industry has what it considers to be high levels of technological innovation, which are principally related to products and techniques used in the industry. The product-based nature of innovation has necessitated the provision of training by product suppliers, in addition to that training provided by providers servicing the apprenticeship end of the market.

Hairdressing, despite a long history of private training provision, has recently undergone a deregulation process, during which a significant number of private providers entered the market traditionally dominated by public training providers. Discussions with industry stakeholders indicate the emergence of private training providers has not had the same effect in hairdressing as in other industries. Employers do not hold the qualifications attained from private institutions in the same stead as those from public providers. The historical significance of training has been influential in restricting competition in the hairdressing industry. The result of the private training providers emerging has been a mismatch in the skills provided and those demanded by employers. The market has become inefficient because of deregulation.

Rather than gaps in the content of training made available to hairdressing employers, it is the modes of delivery and the adoption of training to modern businesses that leave service gaps in this industry. As an upside to the perceived gaps in training provision, the industry has been innovative in methods of peer mentoring and transfer of skills within the workplace.

Electronics and electrical engineering

The industry is characterised by a highly developed training culture based on traditional training required to meet government licensing regulations and fulfilment of apprenticeship requirements. Employers in the industry are reluctant to influence the market by exerting demand forces and, consequently, new training methods are not common. Because of the safety concerns within the industry, the need for regulations is accepted.

The high level of capital expenditure required to establish training facilities to service the industry has limited the extent of the competition amongst providers, and training remains predominantly the realm of public providers. The cost of training provision has also acted to restrict spatially the provision of training. Regional and remote employers have poor access to training.

Secretarial and administrative services

The industry has only a limited history of training with a generally 'under-credentialled' workforce. There have been significant amounts of on-the-job and competency-based training used to formalise and quantify the skill base of the industry workforce. Credentialism has benefited training in the industry, with employers expecting qualifications in addition to experience in their workforce.

High levels of technological innovation act to both encourage and restrict the training market and its operation. Word-processing and other computing programs were cited by stakeholders as the important technologies relating to training in this industry. The ability of providers to finance necessary upgrades to keep astride of technological innovation helps to determine their relative position in the training market. The cost of maintaining up-to-date training facilities is a financial barrier to competition in this training market, restricting entry of competitors and culling the least effective providers.

Competition within the training market was perceived not only to derive from within the industry itself, but also from other industries competing for the common labour base (especially school leavers). The industry considered it was losing out to other industries with better occupational status. The lack of potential clients meant the level of training provided was not as extensive as for those industries with higher employment of recent school leavers.

Secretarial and administrative services was the industry in which the most employers cited direct negotiations with providers regarding the content and expected outcomes from training. Those employers best able to take advantage of direct negotiations were medium to large-sized businesses. The introduction of quality assurance was considered an effective tool in ensuring that providers supplied training to promised conditions.

Stakeholder perspectives

ITABs

The important consideration promoted by the ITABs is information dissemination and communication between training providers and employers. The ITABs work to develop annual training plans that reflect the demands of employers. In developing these plans, the ITABs intend to provide the training providers with a guide to focus their training efforts, and the development of their training packages and facilities.

Training providers

Commercial viability is the principal concern of training providers when they consider the courses they offer. Factors such as government accreditation and promotion of courses based on potential qualifications are influential in determining the shape of the training market. Related considerations include the availability of expertise in trainers, physical infrastructure costs and the number of potential clients.

Employers have made a shift in emphasis towards skills rather than qualifications in industries where qualifications are not required. This has led training providers to offer an increased range of modules that are skill specific, and not related to a formal qualification. The shift in importance of training from qualification orientation—to firm and workplace-specific skills—has necessitated training providers customise delivery of training. A number of reasons has necessitated that training providers negotiate training details directly with employers. These reasons include variation in employment conditions, the range of occupations in which the same skills are used, and the number of training providers (public and private) competing in the market.

Employers

The ability of employers to identify the skills they require, and their ability to negotiate directly with training providers regarding the delivery of training, influences their ability to shape the operation of the training market. Employers' ability to negotiate directly is generally proportional to the size of the firm. Small enterprises are less able to spare resources to negotiate details of training and, as such, are less able to influence the training market to suit their own needs. The emphasis on qualifications or skills also determines the employers' desire to influence the training market. Employers from industries where qualifications and licensing of employees are necessary have less reason to customise training to their individual enterprise, than those employers involved in industries where skills are emphasised over qualifications.

Conclusions

All four industries surveyed displayed different characteristics as related to their training markets. Structural and financial considerations were the two influences that shaped the training markets as experienced by the stakeholders. The tourism and hospitality and secretarial and administrative employers were the most receptive to adaptations in the training market. These two industries, of the four included in the study, had the least traditional involvement with training practices. It can be said that in general, employers are drivers of demand and have helped to shape the training markets—whether by introducing new training methods or outcomes, or by forcing the retaining of traditional practices.

Where employers' resources are limited, it is important to look at cost-effective options such as part-time studies, distance learning and modular programs adapted to enterprises' learning interests, needs and circumstances. The inability of providers to meet changing and increasingly specialised demands of clients using traditional training methods has led to innovative training techniques being developed and adapted. The introduction of competency-based training as an assessment method has assisted those individuals currently employed in the industry to translate their current expertise and knowledge into a formally recognised qualification. Small amounts of public resources have been provided to supply infrastructure and grants to leverage private investments from employers and individuals.

Government intervention has aided in shaping the training market. This interpretation has been principally related to the distribution of training provision, and access for equity and disadvantaged groups. Government has also played a role in ensuring training is provided to those industries in which high training infrastructure costs exist. Felstead and Green (1994) note the role of legislation—such as that relating to health and safety, the Food Safety Act, and industry-specific regulations—play a considerable role in placing a 'floor' under levels of training provision. Indirect legislative action might also be considered. The German notions of a qualification as a 'license to practice' in various trades might be one method of tackling weaknesses in product and service quality training.

What impact is there on the training market?

What impact is there on the training market from 'non-market' factors?

Both social and economic arguments for government intervention in the training market have been well documented by Allen Consulting Group (1994b). Justification has been presented for support of entry-level training for young persons, re-skilling for older workers and remedial training to involve the unemployed and disadvantaged in employment-enhancing schemes. Ryan (1995) argues that the framework proposed that the implementation of training objectives by Allen Consulting Group (1994b) is principally a centralised supply-side mechanism. Throughout the report, it has been documented that the needs of special clients influence training providers and the services they offer. This section of the report will consider the impact of the government's special-needs initiatives on the training market.

The supply-side has traditionally been the area where government has exercised greatest control. The challenge for VET systems is to relinquish this control and enable a more customer-focussed operation to develop.

Public funding of VET is directed at the public good, including general skill development and meeting the needs of industry and business. The government has a range of responsibilities relating to VET and an economic responsibility to underpin the national pool of skills for industry and business. It also has a responsibility to provide funding to assist with young people's preparation for the workforce, and a social responsibility to meet the training and social needs of disadvantaged people.

Government must ensure that their involvement in the market facilitates equitable allocation of public resources, and at the same time encourages private investment in training. 'Particularly in a competitive environment, we want to ensure that the public dollar does not replace the private dollar' (Kemp 1998, p.4).

Following the social goals and objectives of VET, there are benefits that accrue to individuals that represent the positive social role played by VET. Golding and Volkoff (1998) question whether competition will improve the accessibility, participation and outcomes of equity and access target groups. Social equity targets remain the best means by which public contribution to education and training can be measured, but should in no way be expected to reflect the same outcomes as privately funded studies.

The question of appropriate scope for market processes on both demand and supply-sides in Australian VET breaks down into issues of feasibility, balance of social benefit and cost. The public policy basis for the government role in VET encompasses both equity and economic foundations, together with wider social considerations. Both economic and social concerns have been used to justify the reform of Australia's VET system. The major focus in this analysis has been on economic considerations. It has been acknowledged that meeting the skill needs of industry is an important objective of the VET system. Acknowledgement of community and individual needs shows that benefits of VET do not only accrue to enterprises and industry. The following section will focus on the social outcomes relating to government planning and government's intervention in the training market.

The social objectives of equality of access have been unsuccessful. Allen Consulting Group (1994a) reported a continuing low participation rate in some VET programs, courses and institutions by disadvantaged groups, especially women and Aboriginal and Torres Strait Islanders (ATSI). The scope of this study allows analysis of the impact of non-market factors on the provision of VET to persons with special needs.

The relationship between the economic and social goals of VET is fraught with tension. What purposes and whose interests should training providers serve?

Within the debate, two dominant perspectives stand apart. One perspective argues the primary role of education should be to contribute to the achievement of national economic success by developing the human capital required by industries and enterprises. The alternative perspective considers that the main goal of VET should be to assist individuals to realise their full potential. This objective would also contribute to social and cultural development. Conflict between the two perspectives is centered on deciding whether education should be concerned with lifelong learning, or recurrent training and general or vocation-specific education.

The balance between social goals fluctuates in response to changes in social and economic circumstances, and the policy priorities of government. An emphasis on labour market outcomes from VET and the development of skills required by industry has resulted in social goals becoming less important to government. Evidence from case studies describing the effects of social objectives on the training market is presented below. When answering the question of the impact of social objectives on the training market, it is perhaps most apparent that there are industries and enterprises within them that lead the way in ensuring access to special-needs clients. Some industries and enterprises are restricted by factors such as the tradition and history of training and the extent of government regulations affecting the industry.

Industry perspectives

Tourism and hospitality

The response of training providers and employers in the tourism and hospitality industry was co-ordinated. Training providers involved in the industry cater for clients with special needs, and employers take on persons with special VET needs. Those needs catered for by training providers in the industry include NESB, individuals with literacy and numeracy difficulties, regional and isolated clients and those with physical disabilities.

Training providers realised that in gaining accreditation for their courses and modules, they were accepting a responsibility to cater for clients with special needs.

Employers in the industry are supportive of social objectives of training. Many of the employers surveyed had participated in VET initiatives targeting individuals with special needs. Perceptions of the effectiveness of the programs were mixed. Some employers were very supportive of the efforts, and others disparaging. Programs targeting the unemployed were considered the least successful from the perspective of the employers.

The range of employment opportunities in the industry, including flexible work hours, means many people with special needs are employed. Larger employers are more likely to employ persons with special needs. NESB people, and those with learning and literacy difficulties, were the individuals most likely to be employed. Innovative training practices adopted by employers to cater for special-needs employees include the development of colour-coded training manuals, and the use of actual work environments for training activities.

Hairdressing

Training providers servicing the hairdressing industry identified a separation of function between private and public providers. Special-needs training is considered the domain of the public providers. The specialisation of training provider functions has resulted in increased co-operation among providers who utilise the services of those best able to cope with special needs.

Persons from rural and isolated locations, NESB, and those with learning and literacy difficulties are the special-needs clients catered for by training providers. The training providers surveyed indicated that they incorporate counselling and/or referral services into their institutions.

Employers in the industry were not supportive of special-needs individuals. Employment processes were seen as methods by which individuals with exceptional training requirements could be screened out of the industry.

Electronics and electrical engineering

Training providers servicing the industry cite regulations concerning safety and service standards which limit the ability to adopt training to meet special needs of clients. The only special-needs clients at whom training has been targeted have been females. There have been no changes made to the ways in which training is provided—rather, the promotion of the occupation to this group has increased. Additional courses conducted by training providers are designed to cater for individuals with learning difficulties and those from NESB. There are no elements of these courses incorporated into the electronics and electrical engineering courses.

Employers in the industry recognised an increased level of participation by females. Persons from NESB were also recognised as having increased their participation in the industry. The skill levels of the employees determine the type of training they receive in the workplace. Training is developed to suit the level of expertise and knowledge of the various workers. Management staff receives more theoretical training than does the lower-level staff. Conversely, lower-level staff receives greater amounts of hands-on training.

Secretarial and administrative services

Training providers servicing this industry target five special-needs groups. Individuals who have disabilities, are from overseas, with low literacy skills, males and aged persons are targeted for involvement in the industry.

Government regulations controlling the accreditation of courses and modules have impacted on the facilities that training providers have been able to use for training delivery. This point is especially relevant to individuals with physical disabilities. Requirements necessary to cater for those with physical disabilities limit the abilities of providers to expand their training provision to other areas.

Targeting males has resulted in a restructuring of the training courses to increase an emphasis on business and commerce. This restructuring was perceived by training providers to have increased the participation of males by 10 to 15 per cent.

Employers in the industry are less accommodating of special-needs individuals than are training providers. No employers surveyed cater for individuals with special needs, despite their inclusion in the training efforts of training providers.

Stakeholder perspectives

ITABs

Training advisory bodies recognise that it is important for their industry to be seen as open and able to cater to the special needs of individuals. The ITABs recognise there is significant reluctance from many of the employers to take on someone with special training needs. ITABs from those industries with a history of training and licensing requirements are more reluctant to consider possibilities for including special-needs clients in training for the industry. Reasons commonly cited are the need to be physically capable of conducting work, and health and safety concerns for employees.

Those special-needs clients that are cited as targets for training by the ITABs include indigenous students and non-traditional participants in industries (especially women). There is also some support provided by the ITABs for government training schemes targeting the unemployed. The ITABs surveyed do little direct promotion or provision of assistance to increase the involvement of special-needs clients in training programs.

Training providers

Considering special-needs clients is of utmost importance to training providers. Economic viability of providers is reliant on their ability to offer accredited training and this, in turn, is reliant on their ability to provide for the special needs of students from varying backgrounds. Having gained the right to provide accredited training, providers are obliged to ensure that their training is accessible to persons from a range of special-needs backgrounds. Non-traditional groups (especially women), people with physical disabilities and those from NESB are the groups most commonly cited by providers as being targeted in their special-needs programs. Indigenous students are also targeted for inclusion in special-needs training.

Requirements to provide for those with special needs are at the forefront of considerations of training providers. Decisions regarding physical infrastructure to be used in training, and the allocation of resources for support staff are just two of the pivotal decisions that are made by training providers with regards to special-needs clients. There has been some collaboration among providers with different resources—targeting special needs to ensure that social obligations are fulfilled. The special needs that are best catered for are those individuals with English language difficulties. Training providers cited various structures and methods for assisting special-needs clients looking for English tuition and coaching.

In addition to the collaborative efforts of the training providers, there has been specialisation by those providers best able to cater for special needs identified for equity targets in government policies.

Employers

Employers were the least compassionate of all stakeholders with regards to the special needs of employees. This was especially the case in those industries with a tradition of training and qualifications/licensing regulations that control those people able to work in the industry. Those employers who had dealt with special-needs training involving unemployed persons were also very negative in their opinion of schemes and methods designed to increase accessibility to the labour force.

The industries in which there has been the most innovation of training delivery—tourism and hospitality and secretarial and administrative services—are those which have been most accommodating of the special needs for training faced by some individuals. Employers from these industries have been influential in the development of training methods and techniques that allow those with special needs to be trained and gain employment. The flexible employment conditions available to these industries, including the casual labour force, are likely to have made significant contributions to the involvement of special-needs individuals in training.

The size of enterprises is also likely to be influential in decisions regarding the training and employment of special-needs individuals. Small and medium enterprises are less likely to cater to the special needs of individuals than enterprises with larger numbers of employees. The support mechanisms for individuals with special needs are more likely to exist when there are greater numbers of persons employed in the enterprise.

Conclusions

Government incentives to promote the involvement of special-needs clients have impacted on all training. The extent of the impact has varied from one industry to the next. Factors that appear to influence the effect of social objectives include the extent of technology in training, the spatial distribution of industry employment and the attitude of employers in the industry to individuals with special needs. Training providers for all industries are influenced by regulatory conditions that require facilities capable of catering for special-needs clients. Even when no special-needs clients are involved in training, the social equity considerations affect decisions made by training providers. Employers are least open to the concepts of equal access to training and employment opportunities. This perception is likely to be because employers consider education and training to be directly related to positions within their business, and they are less willing to provide opportunities to those persons with special needs. Of those industries surveyed, employers from the tourism and hospitality industry are the major exception to this observation. This exception is likely to be based on the varied and non-traditional employment conditions found in the industry.

Tourism and hospitality is the industry that showed the greatest level of integration for those with special needs. Employers from the tourism and hospitality industry are innovative in their responses to problems faced by individuals with special needs. The secretarial and administrative services industry is also responsive to this group. These two industries are those in which the most flexible employment conditions are prevalent. These are also the industries with the most diverse and least regulated occupational classifications.

Across industries, cost of provision of training for special-needs clients has forced co-operation among public and private training providers. Specialisation has occurred among training providers. Publicly funded training providers are more likely to cater for special needs than are private providers. In effect, the government-funded training providers have assumed the role, along with large enterprises, of providing the equity and social objectives related to VET.

The results presented above indicate that in three of the four industries surveyed, there is a distinctive mismatch between the skills supplied by training providers catering for social equity, and the demands of employers. This mismatch is likely to contribute to concerns by employers that the market is supply driven. The necessary focus on social equity considerations by training providers restricts the training market in its use of resources.

Overview and conclusions

Ever since the World Bank decreed that VET existed to satisfy demand (rather than supply), 'market forces' have been preached with enthusiasm. What is required—rather than a one-sided market—is a union of supply and demand, supply-created demand as well as demand-created supply.

What has been shown to exist for the training market relating to tourism and hospitality and the other industries included in the study is a mixture of both demand and supply. Tourism and hospitality has been successful in adapting demand to match supply. Enterprises in the industry also put considerable effort into negotiating desired outcomes with training providers prior to training.

Results from the case studies are supported by other research. One example is the knowledge of ITABs by various industry sectors. The employers from tourism and hospitality, while not supportive of ITABs, reflect the findings of Wooden (1997, p.v)—that individual employers typically have only a limited amount of direct contact with ITABs—but that the level of awareness of ITABs by employers in this sector is very high.

There is no single method or strategy that guarantees best results from the training market. The characteristics of the individual enterprise and its workforce will determine the most suitable training techniques. Training markets are being continually developed through direct negotiations between employers and providers. Tourism and hospitality has been an industry in which highly innovative training practices have developed.

The research suggests the efforts to increase competition and empower clients in the training market depend largely on the specific circumstances prevailing in an industry. The extent of demand influence on the operation of the training market for the four industries surveyed was found to depend upon:

- history or tradition of training in the industry
- size of employers in the industry and their ability to negotiate with training providers
- composition of the workforce and employment patterns
- level of technological innovation for the industry

The emergence of competitive practices among training providers, and increased choice for clients of VET have increased the demand-side responsiveness of the training market. Training providers have counteracted some changes in the training market for the sake of commercial gain. The evolution of co-operative arrangements and specialisation amongst providers is an example of such an adaptation.

Final word

This report has considered four key questions relating to the training market in Australia. There remain numerous other questions regarding the state of the market as it relates to the industries and stakeholders, and the case studies presented in chapters three through six provide details with which a range of other market and stakeholder questions may be answered.

What has been shown throughout the report is that industries are individual and have developed from different backgrounds. The history and structure of the industry are both influential in determining the extent to which demand-oriented policies have been able to be adopted. There are industries included in the study (hairdressing, and electronics and electrical engineering) in which the emphasis on demand-oriented training is likely to have little or no effect on the type of training provided.

Decision-makers considering changes in training market policies should note that the effects and successful implementation of changes are reliant on the idiosyncrasies of the industries and their stakeholders. While there are those industries and stakeholders looking for increased levels of flexibility and user choice, there are also those who require consistent and regulated training. Additionally, the social equity and access objectives have been shown throughout the report to have lost emphasis in training policies, and it appears to be the employment conditions that have the greatest effect on ensuring special-needs clients receive training and, eventually, employment opportunities.

Endnotes

1 The permission of each of the interviewees was sought prior to posting the write-up. Nine case study documentations were posted on the World Wide Web at http://www.ncver.edu.au/ntmrc/tmo3intr.html

2 For a discussion of difficulties of including ordinal variables in economic decision-making processes, see Leslie (1995).

3 The seeds of the NTRA can be found in numerous decisions and documents including: the export of education services and the opening up of Commonwealth funding for the Australian Traineeship System to private providers (1986); Dawkins and Holding (1987) *Skills for Australia*; the introduction of competitive tendering for Commonwealth labour market programs (1988); Dawkins (1989) *Industry training in Australia: the need for change*; Deveson (1990) *Training costs of award restructuring*; promotion of the training market concept and associated reforms (e.g. national skills recognition, commercialisation of TAFE; tuition fees in TAFE) (1990); endorsement of the training market concept at the Special Ministerial Conference (1990); and the removal of Commonwealth prohibition on TAFE tuition fees (1991). A full chronology of training market reforms can be found in Anderson (1996a).

4 Depending on whether private sector bodies are incorporated bodies, not-for-profit organisations or otherwise, there are different bodies of law covering their activities if they choose to be registered or accredited by public authorities. Moreover, TAFE colleges are still required to fulfil CSOs with respect to the provision of recurrently funded courses. However, Anderson (1996a) notes that the legal conditions under which private and public providers operate are likely to be further standards under the national competition reforms of the Hilmer Report (1993).

5 At the time of writing, the contracting out of publicly funded VET courses to both public and private providers had not been extended across the entire system. Competitive tendering was largely limited to labour market programs, the Australian Traineeship System and some other national programs, and to a proportion of the ANTA growth funds administered by State governments.

References

Allen Consulting Group 1994a, *Establishing an effective training market*, report to Office for Training and Further Education, Melbourne.

—— 1994b, *Successful reform: Competitive skills for Australians and Australian enterprises*, Australian National Training Authority, Brisbane.

Anderson, D 1996a, *Reading the market: a review of literature on the VET market in Australia*, Centre for the Economics of Education and Training, Melbourne.

—— 1996b, 'The training market reforms and their impact on the VET system', in *The economic impact of VET*, C Selby Smith and F Ferrier (eds), Australian Government Publishing Service, Canberra, pp. 112–133.

ABS (Australian Bureau of Statistics) 1999, *Education and training in Australia 1998*, cat. no. 4224.0, Australian Government Publishing Service, Canberra.

Baker, M, Creedy, J & Johnson, D 1996, *Financing and effects of internationalisation: an Australian country study*, Australian Government Publishing Service, Canberra.

Baker, M & Sloan, J 1995, 'Australia's national training reform agenda: a question of policy?', *Australian Economic Review*, vol. 110, 2nd Quarter, pp. 80–86.

Blaug, M 1976, 'The empirical status of human capital theory: a slightly jaundiced survey', *Journal of Economic Literature*, vol. 14, pp. 827–855.

—— 1993, 'Education and the employment contract', *Education Economics*, vol. 1, no. 1, pp. 21–34.

Carmichael, L, (chair) Employment and Skills Formation Council 1992, *The Australian vocational certificate training system*, National Board of Employment, Education and Training, Canberra.

Curtain, R 1995, 'Employers and access to publicly funded training', in *The Australian Economic Review*, 2nd Quarter, pp. 93–100.

Dawkins, J 1988, *A changing workforce*, Australian Government Publishing Service, Canberra.

—— 1989, *Industry training in Australia: the need for change*, Australian Government Publishing Service, Canberra.

Dawkins, J & Holding, AC 1987, *Skills for Australia*, Australian Government Publishing Service, Canberra.

Deveson, I (chair) Training Costs Review Committee 1990, *Training costs of award restructuring*, vol. 1 & 2, Australian Government Publishing Service, Canberra.

Felstead, A & Green, F 1994, *Labour market and skills trends 1995/1996*, ED, Sheffield.

Finn, B, (chair) Australian Education Council Review Committee 1991, *Young people's participation in post-compulsory education and training*, Australian Government Publishing Service, Canberra.

Fisher, N 1993, 'Developing a national training market: is it a sensible strategy?', *Unicorn*, vol. 19, no. 4, pp. 27–33.

Fitzgerald, V 1994, *The rationale for the governments role in VET: research priorities in VET—a discussion*, National Centre for Vocational Education Research, Adelaide, pp. 208–228.

Fooks, D 1995, 'User choice: The new orthodoxy in VET. A commentary on initiatives to stimulate an open training market for VET', unpublished monograph, Canberra Institute of Technology, Canberra.

Geiger, R 1986, *Private sectors in higher education: structure, function and change in eight countries*, University of Michigan Press, Ann Arbor.

Golding, B & Volkoff, V 1998, 'Participation in VET in Australia: different drives, same needs?', *Different drums one beat? Economic and social goals in education and training*, F Ferrier and D Anderson (eds), National Centre for Vocational Education Research, Adelaide and Centre for the Economics of Education and Training, Melbourne.

Hall, W 1995, 'National training reform agenda', *Australian Economic Review*, no. 110, 2nd Quarter.

Hilmer, F (chair) Independent Committee of Inquiry 1993, *National competition policy: report by the Independent Committee of Inquiry*, Australian Government Publishing Service, Canberra.

Kemp, D 1998, 'The VET market', *The market for VET*, C Robinson and R Kenyon (eds), National Centre for Vocational Education Research, Adelaide.

Leslie, D 1995, 'On the proper use of ordinal variables in labour market models', *The Manchester School*, vol. LXII, no. 2, pp. 196–205.

Maglen, L & Selby Smith, C 1995, *Pricing options in NSW TAFE*, working paper no. 1, Centre for the Economics of Education and Training, Monash University, Melbourne.

Marginson, S 1993, *Education and public policy in Australia*, Cambridge University Press, Cambridge.

Peoples, K 1998, 'A market for all', *The market for VET*, C Robinson and R Kenyon (eds), National Centre for Vocational Education Research, Adelaide.

Robinson, C 1998, 'The VET product and the development of the training market', *The market for VET*, C Robinson and R Kenyon (eds), National Centre for Vocational Education Research, Adelaide.

Ryan, R 1995, *The market for training: policy discussion paper no. 1*, National Centre for Vocational Education Research, Adelaide.

Selby Smith, J 1995, *The national competition policy review (the Hilmer report) and its implications for the VET system*, Australian National Training Authority, Brisbane.

Shackleton, J R 1995, *Training for employment in Western Europe and the United States*, Edward Elgar, Aldershot.

Shreeve, R 1995, 'User choice and the training market', paper presented at Towards a Skilled Australia: National VET conference, February, Australian National Training Authority, Brisbane.

Sloan, J & Wooden, M 1994, *Training markets and the effects of market failure on training in Australia*, report prepared for the Business Council of Australia, Taskforce on Training, National Institute of Labour Studies, Adelaide.

Sweet, R 1990, *Relationship between TAFE and other education systems*, mimeo, Dusseldorp Skills Forum, Sydney.

Wooden, M 1997, *The role of industry training advisory bodies*, National Centre for Vocational Education Research and National Institute of Labour Studies, Adelaide.

Ziderman, A 1978, *Manpower training: theory and policy*, Macmillan Press, London.

The National Centre for Vocational Education Research Ltd is Australia's primary research and development organisation. NCVER works with federal and State governments and the Australian National Training Authority to provide essential statistics and information on vocational education and training in Australia.

NCVER

NATIONAL CENTRE FOR VOCATIONAL EDUCATION RESEARCH LTD

A.C.N. 007 967 311